THE FREEMAN

IDEAS ON LIBERTY

Must the News Media Be Inimical to Freedom?

Freedom and Language

The Virtues of Free Speech

The Entrepreneur as a Defender of Liberty

SEPTEMBER 1996

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Attention, Teachers: Back-to-School Special

Recent issues of

THE FREEMAN

for classroom use

Here's a wonderful opportunity to introduce your students to ideas on liberty—at no cost to you or your school. We are offering cartons of past *Freeman* issues free of charge, postpaid. Each carton contains over 100 copies of a single issue. Simply send your request, with shipping instructions, to: FEE, 30 South Broadway, Irvington-on-Hudson, New York 10533.

Light a fire for freedom— Launch a Freeman Society Discussion Club!

Join the growing ranks of *Freeman* readers who have become part of FEE's network of Freeman Society Discussion Clubs. There are now 130 clubs in 38 states and 12 foreign countries.

Club members receive a number of special benefits, including discounts on FEE publications and invitations to special FEE events.

For more information about starting a discussion club, or joining a Freeman Club that may already be meeting in your area, write Dr. Felix R. Livingston, Vice President and Director of Freeman Services, 2814 Hilsdale Harbor Way, Jacksonville, FL 32216, or call/fax (904) 448-0105.

Exclusive: FEE Gold Anniversary Coin

To commemorate FEE's fiftieth anniversary and to honor Margaret Thatcher, speaker at the Golden jubilee celebration, we struck a medallion of great beauty and perfect purity, the **Margaret Thatcher Coin**. The obverse side features a beautiful image of Lady Thatcher; the reverse bears the FEE logo and the legend "ONE TROY OUNCE .999 FINE GOLD." The issue price is $555.00 per coin.

A beautiful gold coin is a joy for ever. If you would like to delight in yours, please give us a call at 914-591-7230.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

September 1996 Vol. 46, No. 9

THE FREEMAN

IDEAS ON LIBERTY

FEATURES

596 **Must the News Media Be Inimical to Freedom?** *by Sheldon Richman*
Reasons behind the news bias against the market process.

602 **Freedom and Language** *by Aeon James Skoble*
The importance of linguistic integrity and precision.

605 **Two Cases of Press Malpractice** *by Tibor R. Machan*
How broadcast journalists mishandle economic news.

610 **Obscenity: The Case for a Free Market in Free Speech** *by T. Franklin Harris, Jr.*
Defending the undefendable.

616 **Who Put the E in E-Mail?** *by A. M. Rogers*
Epistolary Excitement!

618 **Is the Public Served by the Public Interest Standard?** *by Adam D. Thierer*
Consumers benefit more from market competition.

621 **The Virtues of Free Speech** *by Mark Turiano*
The connection to human excellence.

627 **The Entrepreneur as a Defender of Liberty** *by Felix R. Livingston*
Pursuit of private interests in a competitive environment can further the cause of freedom.

631 **Charles James Fox, Valiant Voice for Liberty** *by Jim Powell*
A portrait of "the greatest parliamentary defender of civil and religious liberty."

COLUMNS

Center ***NOTES from FEE*—Growing Income Disparity** *by Hans F. Sennholz*

608 ***IDEAS and CONSEQUENCES*—Reviving a Civil Society** *by Lawrence W. Reed*

624 ***POTOMAC PRINCIPLES*—In Service of a Boondoggle** *by Doug Bandow*

639 ***ECONOMICS on TRIAL*—New Keynesians Finally Reject Keynes's "General" Theory** *by Mark Skousen*

DEPARTMENTS

594 **Perspective**—Tibor R. Machan, David Kelley

642 **Book Reviews**

•***Restoring Hope in America: The Social Security Solution*** by Sam Beard, and ***Let's Get Rid of Social Security: How Americans Can Take Charge of Their Own Future*** by E. J. Myers, reviewed by John Attarian; ***Founding Father: Rediscovering George Washington*** by Richard Brookhiser, reviewed by Clarence B. Carson; ***The Flat Tax: Freedom, Fairness, Jobs, and Growth*** by Daniel Mitchell, reviewed by William H. Peterson; ***The Anatomy of an International Monetary Regime: The Classical Gold Standard 1880–1914*** by Giulio M. Gallarotti, reviewed by Raymond J. Keating; ***The Future of Capitalism*** by Lester C. Thurow, reviewed by Don Bellante; ***It's No Gamble: The Economic and Social Benefits of Stock Markets*** by Lewis D. Johnson and Bohumir Pazderka, reviewed by Robert Batemarco.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
Phone (914) 591-7230 FAX (914) 591-8910
E-mail: freeman@westnet.com
President: Hans F. Sennholz
Managing Editor: Beth A. Hoffman
Guest Editor: Tibor R. Machan

Editor Emeritus
Paul L. Poirot
Lewisburg, Pennsylvania

Book Review Editor
Robert Batemarco
Marymount College, Tarrytown, New York

Associate Editor
Gregory P. Pavlik

Assistant Editor
William J. Watkins, Jr.

Editorial Assistant
Mary Ann Murphy

Columnists
Doug Bandow
Cato Institute, Washington, D.C.
Lawrence W. Reed
Mackinac Center for Public Policy
Midland, Michigan
Mark Skousen
Rollins College, Winter Park, Florida

Contributing Editors
Charles W. Baird
California State University, Hayward
Peter J. Boettke
New York University
Clarence B. Carson
American Textbook Committee
Wadley, Alabama
Thomas J. DiLorenzo
Loyola College, Baltimore, Maryland
Joseph S. Fulda
New York, New York
Bettina Bien Greaves
Resident Scholar, FEE
Robert Higgs
The Independent Institute, Oakland, California
John Hospers
University of Southern California
Tibor R. Machan
Auburn University
Ronald Nash
Reformed Theological Seminary
Edmund A. Opitz
Chatham, Massachusetts
James L. Payne
Sandpoint, Idaho
Jim Powell
Westport, Connecticut
William H. Peterson
Adjunct Scholar, Heritage Foundation, Washington, D.C.
Jane S. Shaw
PERC, Bozeman, Montana
Richard H. Timberlake
University of Georgia
Lawrence H. White
University of Georgia

The Freeman is the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, NY 10533. FEE, established in 1946 by Leonard E. Read, is a non-political, educational champion of private property, the free market, and limited government. FEE is classified as a 26 USC 501(c)(3) tax-exempt organization.

Copyright © 1996 by The Foundation for Economic Education. Permission is granted to reprint any article in this issue, except "Charles James Fox, Valiant Voice for Liberty," provided credit is given and two copies of the reprinted material are sent to FEE.

The costs of Foundation projects and services are met through donations, which are invited in any amount. Donors of $30.00 or more receive a subscription to *The Freeman*. Student subscriptions are $10.00 for the nine-month academic year; $5.00 per semester. Additional copies of this issue of *The Freeman* are $3.00 each. For foreign delivery, a donation of $45.00 a year is suggested to cover mailing costs.

Bound volumes of *The Freeman* are available from The Foundation for calendar years 1972 to date. *The Freeman* is available in microform from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106.

PERSPECTIVE

Individual Liberty and the Media

The task in this issue of *The Freeman* has been to bring together some good discussions of the relationship between individual liberty and the nature and conduct of the media. It was tempting to go beyond this rather narrow focus because of the media's many dimensions.

Poor reporting vis-à-vis science, religion, and politics is legion and much space could be devoted to the subject of journalistic ethics alone. Editorial and business decisions also deserve scrutiny.

The task here, however, was narrower. We decided to explore the ways in which various members and institutions of the media treat the free marketplace as a reflection of their regard for individual liberty.

A few additional observations are in order.

First, the printed press itself is a fairly special case of the media, although broadcast news programs and magazines show similarities. Print journalists are completely protected from government regulation, unlike, say, doctors or auto mechanics. Indeed, it is arguable that government (at various levels) discriminates against a great many professionals in our country—except those who work for the press. Yet, curiously, those folks generally lack any concern for any threat to the liberty of other professionals. One need but read the transcripts of press conferences with powerful politicians to discover that members of the press are not much concerned with freedom. Instead, as a group, they pretty much embrace the urgent need for more and more government regulation of all other facets of our culture, except, of course, the press.

Second, with so many organs of the media located near centers of political power, the press is inclined to champion public policies that further shift "the action" to governments. Washington, Albany, Sacramento, and other capitals are where journalists work and live and where they can draw on cheap raw materials for their productive

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

purposes, namely, politicians and bureaucrats. The Sunday morning news programs on the major networks rarely if ever feature commentators from Shreveport, Louisiana, or Bowling Green, Ohio. The same folks who write for the major weeklies or the dailies are the ones who show up to offer their comments on world and national affairs, week after week. It is pretty inconsistent for a group of professionals so committed to egalitarian principles to almost never call upon commentators from beyond the Washington, D.C., Beltway.

Given the inclination of the press and the special protection it enjoys, it is fairly clear that there is a serious threat to human liberty. It would certainly be a wonderful sign of progress if at least some of the top journalists recognized this and made some attempt to remedy matters, not by calling for regulation and censorship of the press but by advocating greater freedom for other professionals who now do not enjoy protections comparable to the First Amendment.

Finally, it never hurts to stress a familiar point about freedom and the media, one that defenders of freedom of expression—speech, art, entertainment, news, scholarship, and the rest—tend to forget: the intimate connection between the right to property and the right to free expression.

This is especially germane because of the current growth of the Internet and other sorts of electronic communication and information storage.

A significant problem with the Internet, for example, is the muddiness of its ownership status. There is a parallel between the way corporate commerce started in history, namely, within the framework of mercantilist political economic systems, and how the Internet was established by the Department of Defense. The historical origin of corporate commerce has given many foes of freedom the chance to advocate government control by reference to the "creature of the State" argument. People who want to censor the Internet now make similar arguments.

In the defense of all types of liberty, the freedom to privately own and use property is crucial. The freedom of the media itself depends, ironically, on something about which the media's professionals ignore: the right to private property!

—Tibor R. Machan
Guest Editor

Specific Forms of Liberty

Freedom of speech and of the press are specific forms of liberty, with special relevance for the work of intellectuals; but there is no valid distinction in importance between these and other forms of liberty. Intellectual freedom is necessary because man needs knowledge of reality, and such knowledge is the product of independent minds. But material goods are no less important, and they too are the products of independent minds. An intellectual properly objects when he is prevented from speaking because someone else does not like the content of his thought. But exactly the same injustice occurs when a businessman is prevented from offering a new product, or completing a merger, or firing a worker. He is being prevented from translating an idea into reality because someone else does not like the content of his thought; he is being prevented from using his mind freely.

—David Kelley
The Freeman, October 1975

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Must the News Media Be Inimical to Freedom?

by Sheldon Richman

It would be easy to conclude that there is an intrinsic conflict of interest between the news media and liberty. Whether intended or not, news coverage by and large seems consistently to undermine the classical liberal premise that society essentially runs itself without central direction. There are multiple explanations for that phenomenon.

It has long been observed that people who like business go into business, and people who dislike business go into (among other opinion-molding professions) journalism. That creates a problem for those concerned with making the intellectual case for free enterprise. The people providing lay citizens with their daily diet of news about the economy, policy-making, and politics tend to be prejudiced against enterprise. There have been some notable exceptions, but the key word here is *exceptions*.

There is another reason for news coverage biased against the market process. The reason goes back to one of Frederic Bastiat's astute observations in his justly famous essay "What Is Seen and What Is Unseen." The essence of the market is invisible. Like justice, you can't see it. If Smith gives Jones a watch, you cannot tell by simple observation that what is going on is just. Maybe Smith is returning Jones's watch. But maybe Jones told Smith that if he didn't hand over the watch, he'd kill Smith's wife and kids. Something more than a gross examination is necessary to understand the full story.

Understanding the market is similar. When you walk into the New York Stock Exchange you see quite a bit of action. People are waving their arms and shouting. Lights are flashing with arcane letters and numbers. What does it all mean? You cannot tell what is happening just by watching, despite Yogi Berra's maxim that you can observe a lot just by looking. At the stock exchange people are trading things they own. You can't see ownership or title. And they are not exchanging chairs or watches or even titles to physical things. They are exchanging titles to unspecific shares of companies. (A corporate shareholder has no claim on a particular copy machine or desk.)

The news media, however, are visually oriented, and that is as true of radio and newspapers as of television. What counts is not the medium but the people covering the news. They tend to be attracted to salient events, because those are easier to describe. When we add that fact to the general ignorance about the market process, we shouldn't be surprised that the news is dominated by stories that at best ignore

Mr. Richman, a former newspaper reporter, is vice president of policy affairs at The Future of Freedom Foundation and author of Separating School and State: How to Liberate America's Families.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the contributions of the market and at worst disparage enterprise.

The Subtlety of the Market

Media people stumble where most people do. The market process is based on a phenomenon that is not obvious: unplanned order. Even when it's explained, many people balk at the idea that there can be order without design. The idea violates their everyday experience. The examples of order they are likely to think about are the result of some planning: their households, their work places, and so on. Asking them to accept the existence of unplanned order is like asking them to believe that a vase will remain above the floor when the table supporting it is removed.

If reporters see order, or coordination, they presume it was planned, either by government or by someone else, but planned nonetheless. And if they see what looks like disorder, they conclude it is from a lack of planning. They will further conclude that planning is needed, usually by government officials. In that sense, reporters are like the government officials themselves.

Let's look at some common examples. When news people see a plant close and many people put out of their jobs, they jump, for it has all the elements of a good story. It is highly visual and lends itself to vivid description, even for newspapers. If the product that used to be made in the closed plant is now being sold in America by Japanese manufacturers, the story gets better. Scenes of cargo ships heading toward American ports and Americans buying the Japanese product can be clearly shown or described. Those scenes are easily juxtaposed with scenes of laid-off workers at the unemployment office or interviews with the families of those workers talking about the struggle to keep afloat. The implicit, or explicit, moral of the story is that foreigners and free trade cause hardship to Americans.

What rarely is shown are the new jobs that came into existence by virtue of the market process and foreign trade. For example, the media will tend to be ignorant of the fact that if the Japanese are selling goods here, they have dollars with which to buy American products or to invest in American firms. Moreover, if the Japanese are now selling a less expensive version of what the closed American factory was making, it will not occur to most reporters to interview the American manufacturers and workers who are more efficient because they use the Japanese machine. They are even less likely to interview consumers who are enjoying a higher standard of living because products are cheaper. (The consumers themselves may not know the reason.)

Missing the Real Story

This issue of the unseen is well illustrated by a real-world case. There is a textile manufacturer in the South who is a big backer of restrictions on foreign textiles and apparel. At the same time, he opposes restrictions on the machines used to make textiles and apparel. He naturally wants to keep his costs down. So he would rather buy a less expensive foreign machine than a more expensive American machine. By doing so, he can be more competitive with his foreign competitors. If he can't get cheaper machines, he will lose sales to foreign firms that can.

Most reporters would not think those facts newsworthy. (At most, they'd say the textile maker is a hypocrite.) Yet those facts reveal the real story underlying the trade issue. Americans who make textile machines would disagree with that textile maker about the need for restrictions on foreign machines. If they had their way, the textile maker and his employees would be harmed. If the textile maker had his way, the domestic machine makers might have to find other work.

The story shows that the fight over trade restrictions is not, as it is usually portrayed, between Americans and foreigners. It is between two or more groups of Americans. All trade restrictions are of that nature. Would you learn that from the news media? It's unlikely because the unobvious is the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unnoticed. Yet it is the key to the whole story.

Trade is not the only issue where we see this problem. The connection between government regulation of industry and stagnating wages or sluggish innovation is well-established in economic theory. But you won't find it the subject of many news stories. Why? Because the connections are not palpable, and reporters respond mostly to what jumps out and bites them. You might see a story about how robots are displacing workers. But you are unlikely to see one explaining that the resulting less expensive products leave money in the pockets of consumers who are then able to buy things they couldn't afford before—creating brand-new jobs that might pay better than the old ones. It is not a visual story.

Similarly, the connection between a minimum-wage law and out-of-work unskilled workers is not grasped visually. It requires an understanding of things that are beneath the surface, such as the laws of human action, specifically, the law of demand. Reporters operating purely at the visual level would only see "well-meaning" politicians voting to raise the minimum wage and unemployed people victimized by cruel capitalists who refuse to pay them a living wage. What other explanation could there be? What's missing from the picture? Supply and demand, well-paid union workers who fear competition from the unskilled, and political demagoguery.

The issue of corporate downsizing has provided many examples of the shallowness of the media. Typical was a seven-part series in the *New York Times* in March 1996 entitled "The Downsizing of America." The articles focused almost exclusively on the displacement and adjustment of workers, but said little about the benefits to consumers and other workers. This passage in the first article is about all the reporter had to say about that: "Some contend that through these adjustments American companies will recapture their past dominance in world markets, and once again be in a position to deliver higher income to most workers. Others predict that creating such fungible workforces will leave businesses with dispirited and disloyal employees who will be less productive. And many economists and chief executives think the job shuffling may be a permanent fixture, always with us, as if the nation had caught a chronic, rasping cough."

USA Today had a similar series in April. While it referred to the creation of new jobs, the relatively low unemployment rate, and the coming productivity gains (even quoting the director of a "left-of-center research group" in support), the overall theme was that an "implicit deal between U.S. workers and employers that has existed since the end of World War II" has ended.

Economic news is not the only area in which the real story is usually missed or, at best, underplayed. The bias of the media toward predicted calamities, particularly in environmental and technological matters, has been noted often. One quick example should suffice. On April 11, the *New York Times* reported that there is no evidence cellular phones are unhealthy ("Study: Cellular Phones Don't Raise Death Rates"). The story did not run on page one. Where do you think the *Times* would have placed a story about a study indicating that cellular phones are dangerous?

Objectivity and the News

The long-running debate about objective news coverage inevitably intrudes itself on this discussion. I've argued that the source of the problem with the news coverage of economic and social matters is that the important things are invisible. But is lack of objectivity the actual problem? I submit that these are elements of a single problem. The failure to grasp essential, unobvious facts about a situation is a lapse in objectivity. That failure and that lapse may not be intentional (in most cases it probably isn't), but that does not alter the consequences.

What is objectivity? It is both a commitment and a state of affairs. It is the commitment to understand something about the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

world and the resultant understanding. We can sum up that commitment by saying that it is an effort never to confuse thinking and wishful thinking. Wanting something to be true does not make it so.

Two important concepts in the matter of objectivity, Ayn Rand taught, are essence and context. There are an infinite number of facts about any phenomenon. But not all of them are essential in a particular context. A news account therefore need not become an endless list of facts. In the coverage of a presidential campaign, the eye color of the candidates is not essential, whereas his position on sending Americans to war on foreign soil is.

Telling the essential from the nonessential is not always easy. Disagreements are inevitable. But in principle, investigation and rational discussion can resolve disagreements. I bring this up because people who discuss news objectivity often assume that true objectivity is impossible because it means reporting every fact. It does not.

Another alleged count against the possibility of objectivity is that, being human, reporters can't really separate their values and opinions from their perception of facts. Here the philosophical muddle gets thick. The underlying assumption is that values and opinions have nothing to do with objectivity. Can this be?

Lately there have been stories about the existence of chattel slavery in Sudan and other African countries. You cannot read those stories without getting the sense that the reporters think slavery is a bad thing. (Why else is it being reported?) Is there a lapse of objectivity there? Have the reporters let their opinions intrude on their relating of facts? No. It is certainly true that the reporters hold the opinion that slavery is bad. But it is also a *fact* that slavery is bad. Thus the opinion, or value judgment, that slavery is bad is objective. It comports with the facts. Values are not outside the realm of objectivity, because good and evil are real aspects of the world. (The best case for that position is to be found in Rand's work, particularly, "The Objectivist Ethics," in her collection *The Virtue of Selfishness*.)

The problem with how the news is covered is not that it contains explicit or implicit value judgments. That is inevitable; the very selection of what to report involves value judgments. Moreover, value-free reporting would be uninteresting. (Rand said there are two fundamental questions: What and so what?) The problem is not that value judgments enter news stories. It is that the value judgments are usually wrong. But there's another problem.

Objectivity and Detachment

Objectivity often gets confused with detachment. It is generally believed that reporters should leave explicit value judgments to others, at least in controversial matters. When a reporter violates that rule and makes an explicit value judgment in his own voice, he may be accused of a lapse of objectivity when he is actually guilty of a lapse of detachment. He, however, will tend to be criticized only if his judgment is dissident. Stating the establishment view will not get him into hot water. That double standard gives credence to the common charge that the media have a "liberal" (actually, statist) bias.

Let's look at an example. Imagine that Congress increases the minimum wage to $5.25 an hour. Two reporters from two newspapers write their lead paragraphs as follows:

1. Congress yesterday raised the minimum wage to $5.25 an hour, increasing the incomes of millions of low-wage workers throughout the United States.

2. Congress yesterday raised the minimum wage to $5.25 an hour, threatening millions of low-income workers with unemployment.

What can we say about those reports? The first contains a fallacy. The second is correct. But both lack detachment. In each, the reporter draws conclusions in his own voice. The model of news reporting that most people (including professors of journalism) hold frowns on that. Reporters are supposed to have some "authority" draw the conclusions. That is one of the defining

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

differences between news reporting and commentary. A commentator's job is to draw conclusions.

But here's where the double standard kicks in. The writer of the first paragraph most likely would get little criticism from establishment media watchers because his conclusion is consistent with theirs. The writer of the second would be heavily criticized for obvious reasons.

Look at this recent example of the lack of detachment from an Associated Press report published March 27, 1996. The story was about a new kind of contraband being smuggled into the United States, freon for automobile air conditioners. Under pressure from the environmental lobby, freon, a chlorofluorocarbon, has been banned here under the Montreal Protocol. But it is being sneaked into the United States in high quantities from India, where it is still manufactured. The AP dispatch began this way: "Smuggled CFC gas from India has been seeping into the United States by the ton, allowing some motorists to stay cool for less this summer but prolonging the threat to the Earth's ozone shield."

The reporter refers to the ozone threat as though it were an undisputed fact. Look what a difference it would have made had he written, "prolonging what some see as a threat to the Earth's ozone shield." The difference may not seem large. But at least it tells readers that the "threat" is in dispute. There is a significant literature that argues that the ozone is not disappearing at all and that the "thinning" at the South Pole is peculiar to that region. You would not know that from the opening paragraph or, indeed, from any other part of the story. The writer did a disservice to his readers.

What offense did the writer commit? He presented as uncontroversial fact something that is in dispute among scientists. Since his conclusion was in agreement with the environmental establishment, he is probably not even aware of what he did. He also violated the principle of detachment. He presented the scientific conclusion in his own voice. That reinforced the implication that it is uncontroversial. Note that had he observed the detachment rule the report would not have seemed so biased. Had he quoted someone saying that freon threatens the ozone, he might have thought to quote someone who disagrees. But even if he did not balance his authorities, at least readers might have had the sense that the threat is the view of one scientist rather than the view of all scientists. Scientists carry weight in news reporting. But an unadorned statement by a reporter, offered as though everyone believes it, might carry even more weight.

Is the detachment rule a good rule? That's a complex question. Earlier in American history, newspapers did not embrace the rule. Newspapers openly identified with one or another political party in the days when ideology sharply separated the parties. In the nineteenth century, an openly Democratic newspaper was for free trade and personal liberty: it opposed the tariff and prohibition. Republican papers were the voice of big business, supported the tariff, and backed prohibition. There was nothing intrinsically wrong with that arrangement. When you bought a particular paper, you knew what you were getting. If you wanted both (or more) sides, you bought two (or more) newspapers.

Things are different now and are not likely to revert to the old ways. There are advantages to the detachment rule. While no guarantee of fair reporting, it could mitigate some of the worst bias routinely found in news reporting.

But we are still left with the question: are the news media an intrinsic impediment to the achievement of a free society?

Can We Have a Free Society and a Free Press?

Thomas Jefferson once remarked that he would rather have newspapers and no government than government and no newspapers. That's not the choice confronting us. The question is, can we have liberty and newspapers? Given the discussion above, the case for pessimism seems strong. But things are not as bad as they appear. Despite

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the news media, understanding of the importance of liberty and the danger of power has grown remarkably in the last 30 years. At times the media have even been helpful. In recent years there have been more stories than ever before on the failures of government as a problem solver. There are probably more reporters of a truly liberal bent than at any time in the last 100 years. That trend should continue on its upward trajectory because many young libertarians are attracted to electronic and print journalism.

At the same time, we should understand that the news media will not be the leading edge of freedom's intellectual revolution. Nor should they be expected to be. Despite the increasing frequency of news articles and television reports supportive of liberty, the real work in spreading the ideas of liberty will come through other channels, as it always has. The newspaper opinion, or op-ed, page is one such channel. Excellent pro-freedom material appears on those pages throughout the country nearly every day. Television news also has shown some improvement, though not nearly as much. John Stossel's work for ABC demonstrates the potential for presenting good, hard television analysis of the failings of government. (The vituperative response to his work also shows the pitfalls.)

The bottom line is that the news media make the selling of liberty hard but not impossible. As understanding of the market process and unplanned order spreads, it will perhaps create a new generation of reporters who won't be drawn to the purely visual. When that happens, the media may be more helpful in maintaining freedom, even if they are of little help in establishing it. □

SepCon'96 — The 2nd Annual Conference of
The Separation of *School* & State Alliance
Sunday-Tuesday ♦ Nov. 24-26, 1996 ♦ DoubleTree Hotel ♦ Arlington, Va.

Some of the Topics & Debates

Debate: Should any government play a role in academic standards? **Topic**:How the inner city poor will benefit from Separation **Topic**: Why specific religious groups need Separation [Evangelical Christians, Catholics, Jews, Muslims, Unitarian/Universalists, Secular Humanists] **Debate**: Can "de-Godded" character education ever satisfy religious families? **Debate**: Does imposed elementary schooling lead to undermining parents?

Some of the Speakers, Responders & Panelists

Joel Belz God's World NC **Samuel Blumenfeld** Author MA **Peter Breggin** Center Study of Psychiatry MD **Eric Buehrer** Gateways to Freedom CA **Steve Dasbach** Nat'l Chair Libt. Party IN **Douglas Dewey** Nat'l Scholarship Center DC **Thomas DiLorenzo** Loyola College MD **Cathy Duffy** Author CA **Marshall Fritz** Separation of School & State Alliance CA **John Taylor Gatto** 1991 NY Teacher of the Year NY **Elie Pietrz** Toward Tradition DC **Charles Rice** Notre Dame IN **Sheldon Richman** Author VA **Rohn Ritzema** ACSI CA **John Rosemond** Ctr for Affirmative Parenting NC **Kevin Ryan** Boston Univ MA **Tony Snow** Columnist VA **Joseph Sobran** Columnist VA **R.C. Sproul, Jr.** Table Talk Magazine FL **and many more**

Five meals ♦ Extensive workbook ♦ Early bird special $295 (until Oct 24), then $335
Separation Alliance ♦ 4578 N First #310a ♦ Fresno CA 93726 ♦ (209) 292-1776

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Freedom and Language

by Aeon James Skoble

Fifty years ago, the world emerged from a military conflict with substantial intellectual ramifications. Nazism and fascism were ideologies that needed to be defeated along with the military powers that wielded them. During the ensuing "cold" war, communism and socialism emerged as ideologies that called for intellectual confrontation. Of course, the United States also fought its first war over ideology—the war for independence, based on the principles of government by consent and individual freedom, and the idea that the rights of the individual trump the divine right of kings. But from the '30s to the '50s, the ideal of individual freedom came under attack anew. The fascists and the communists represented new challenges to the philosophies of classical liberalism.

By the '90s, it may seem that fascism and communism have disappeared as intellectual opponents to liberty and individualism. But things aren't always as they seem. In one sense, there are no fascists, and there are no socialists. Of course, what that statement means is that no one will identify himself as a fascist, and hardly anyone, except in universities, will identify himself as a socialist. But therein lies a potential problem. With the words "fascist" and "socialist" off the table, the wicked and the incautious may find it easier to promote policies that are harmful to freedom, but at the same time use the rhetoric of freedom.

Dr. Skoble is a visiting professor at Southeast Missouri State University.

George Orwell made the observation long ago that political language has deteriorated to the point where political labels with once-specific meanings now only signify the emotive attitude of the speaker. In his 1948 essay "Politics and the English Language," Orwell observed that "democracy" has come to refer to any system considered good by the speaker. Since everyone in politics benefits from the decadence of language, attempts at precision are resisted by all.

In the 1930s, one could say "I don't like liberal democracy; I think fascism is a more appropriate system for organizing society." To say that today would be unthinkable, but nevertheless one may actively promote the same policies that distinguish fascism from liberalism, as long as one calls them "democratic" instead of "fascist." Government "partnerships" with industry, protective tariffs, price supports—these are all key components of a fascist (or national socialist) economic program, and antithetical to laissez-faire capitalist thought. But as long as they are presented as democratic programs, they have a good chance of succeeding.

Similarly, the sort of government intrusion into citizens' personal lives favored by national socialists and communists may be promoted in modern-day America, but only if described as "democratic." For any collectivist ideology, the individual is subordinate (ontologically as well as politically) to the State, where the State is conceived as an organic entity greater than the sum of its parts. So if it serves a State interest that no

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

individual have access to subversive literature, that is sufficient justification for censorship.

Contemporary communitarian thinkers, such as Amitai Etzioni and Alasdair MacIntyre, often argue this way, but in mainstream politics, censorship is always rationalized in the language of liberal democracy, as when the local school board decides that Mark Twain is too offensive to "prevailing community standards." That description makes censorship sound like democracy in action. Of course, unchecked democracy is not consistent with individual liberty to begin with. But a constitutional democracy is designed to protect individual freedom from majoritarian abuse.

Ignoring the Past

Many trends against freedom stem from a failure to learn from the past. For instance, in any discussion of the merits of drug legalization, one party is likely to say "drug prohibition is just like liquor prohibition in the '20s," which in many respects it is. Most of the problems that arise from drug prohibition are completely predictable based on past experience with prohibition: a black market, the participation of organized crime, dangerous chemical impurities compounding the intrinsic harms, and corruption in the law-enforcement community.

The justification for various forms of prohibition is the same—the substance is bad for you, and it's the government's job to protect you from yourself. Few realize the extent of the dangers to individual freedom that arise on that slippery slope. But unlike the rhetoric of the '20s, the arguments supporting today's prohibition are not explicitly presented on the grounds of State paternalism, but on the grounds that "our community doesn't want the harmful effects of this trade," which sounds like a much more democratic rationale.

The most up-to-date example of this is the controversy about Internet censorship. Like a Hollywood remake of an old TV show, the basic story is the same, but the special effects are better. The main concern is that the rapid communication and widespread availability of anything on the 'Net pose a danger to the safety of the republic, because terrorists can use it, and to the safety of children, because of all the pornography. Again, the objections are phrased in terms of democratic theory, rather than State paternalism. When a powerful senator calls for censorship of the Internet, it is seen not as heavy-handed State intrusion, but as the will of the people, because he will invoke the safety of children, and we all care about children.

Wooed by Words

Both the "left" and the "right" are currently amenable to anti-individualist rhetoric. One side urges an end to selfishness, resulting in a broad redistribution of resources, as well as a skepticism about entrepreneurial capitalism. The other also urges an end to selfishness, resulting in eroded individual liberty in the arenas of criminal law and freedom of expression. After all, what is the root of an insistence on search warrants and a resistance to taxation but the attempt to preserve individual freedom against the claims of the community?

Given a looseness about language, both sides have become quite adept at employing the language of rights and freedom to promote their causes, while couching anti-individualist programs not in the language of the fascist or the socialist, but in the language of democracy. Hence a trend towards theories based on the "rights" of the community, which are always invoked to justify an abrogation of some person's rights. Hence the currently fashionable "freedom not to be offended," which is always invoked by the censorious to suppress freedom of expression.

The gravest threat to freedom, one might argue, is not any particular illiberal scheme, but, as Orwell predicted, the corruption of political language. It is easy to note the irony of an incredibly repressive regime deciding to call itself "The Democratic People's Republic of Freedonia," but the same

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

corruption is evident when both major American parties refer to the pro-freedom ideas of the other party as selfish, and to their own anti-freedom ideas as democratic.

A perhaps more subtle corruption of language can be found in, of all places, the mainstream news media. I do not attribute this to any sort of conspiracy, but to their interests in catering to an audience whose critical faculties are on the wane. For instance, consider news reports about the Montana "Freemen" (no connection to this magazine). These reports always refer to "the anti-government Freemen group." Not "the violently anti-Semitic Freemen group," or the "fraudulent check-kiting Freemen group," or "the white separatist, would-be kidnapper Freemen group," but always "the anti-government Freemen group." The clear implication is that simply being critical of the government is somehow evidence of an unbalanced mind, or violently criminal intentions. By consistently associating this epithet with violent criminals, legitimate concerns about the scope of government power are undermined.

A similar pattern was evident in UNABOM reporting. How did authorities close in on the suspect? According to news reports, "the FBI says that they discovered anti-government writings." Not "pro-violence writings," or "writings which rationalize killing innocent people with package bombs," but simply "anti-government writings." Again, by continued association of the label "anti-government" with the violent and the unbalanced, the news reports create the sense that there is something wrong with reasoned opposition to the power and policies of Leviathan.

The erosion of personal responsibility in the legal system and in economics poses a threat to the underpinnings of the classical liberal case for freedom. Calls for censorship and government regulation of some activities seem to be on the rise, in the name of communitarianism or democracy (or "political correctness"). "National service," the fashionable label for conscription, is a pet project of both major political parties.

Restoring the Integrity of Language

A successful strategy for countering these negative trends should involve, among other things, an insistence on linguistic integrity. Restoring freedom means, in part at least, restoring the integrity of language, particularly the language of classical liberalism. Classical liberals should insist on referring to socialist or mercantilist or fascist proposals by their correct names, and insist also on defending pro-freedom proposals on the grounds that they are in accord with the principle of liberty, which ought to be sufficient justification.

Linguistic integrity and precision depend, in part, on a repudiation of currently fashionable relativism, which holds that words have no fixed meanings, and no opinion is more right or wrong than any other. In order to argue that individual liberty ought to be the paramount political value, there has to be such a thing as a paramount value. The prospects for freedom are good, but liberty, as the saying goes, requires vigilance, and that must include a vigilance about clear language and clear thinking. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Two Cases of Press Malpractice

by Tibor R. Machan

1. The Wells Fargo Affair

In late January, Wells Fargo Bank acquired First Interstate Bank of California in what the press so gleefully calls a hostile takeover. I was in California, driving from one place to another for various speaking engagements, so I had the opportunity to listen to innumerable news reports that discussed the purchase. In particular, I listened to KCBS radio, the all-news station in San Francisco, which reported the merger several times during my drive north from Santa Barbara to the Bay Area.

Invariably, the broadcasters gave an account of this major economic event in terms of how thousands of First Interstate employees would probably lose their jobs in Wells Fargo's efforts to consolidate its services and to secure a more profitable operation for the resulting huge enterprise. Employees were interviewed, and journalists pretending to some measure of economic and business expertise gave their take on what occurred. In all cases the emphasis was placed on just how this major buyout would hurt people, even consumers (because the reduction in the work force surely isn't good for customers).

Not one reporter even advanced the idea that such a merger will probably enrich a great many of the Wells Fargo and First Interstate stockholders—that these people will now be able to invest more money into their children's education, health care, clothing, ballet lessons, and other efforts to make a better life for themselves. And all of this will very likely lead to more demand for labor which eventually will give those who leave the employ of First Interstate Bank another opportunity for productive employment.

None of this is certain, of course, but neither is it certain that those laid off from the merger will remain unemployed. Yet the media experts immediately focused on the possible downside, indicating nothing worthwhile that might come of what occurred. The only benefit mentioned—the possible profitability of the merger—came as a snide remark. It was clear that the pundits thought of profit as a crass motive for doing such terrible things as consolidating two giant financial institutions. Profit-making—seeking prosperity—was once again consigned to the cultural status of a pernicious virus that merely hurts people.

Such narrow-mindedness seems to characterize nearly all news-reporting, with only a few exceptions in such outlets as the *Wall Street Journal*, *Investor's Business Daily*, *Forbes*, and *Barron's*. If there were such a thing as a tradition of class-action malpractice suits initiated against the press, no doubt one could make a very strong case against all reporters whose only aim seems to be to denigrate business and incite public fear.

Dr. Machan, this month's guest editor, is a professor of philosophy at Auburn University, Alabama. His next book, A Primer on Ethics, *will be published later this year by the University of Oklahoma Press.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

What can be done? Well, it would be nice if business schools and other educational institutions made some effort to teach basic economics to journalism majors. But that will not be enough, since economists typically try to avoid giving a moral defense of the market. What is really necessary is the moral education of the public, including the press, about how prosperity is a worthy objective and that those who pursue it are doing the right thing.

Is this going to happen soon in our educational system? I doubt it.

2. Paying Management for Downsizing

A *60 Minutes* segment in the spring of 1996 featured various executives and other professionals who have been laid off in various efforts by firms to trim their operations. A reporter confronted the president of AT&T because of his hefty compensation while AT&T was undergoing downsizing in connection with its failed efforts to enter the PC market. Once again, sentimentality triumphed over journalistic integrity.

In the first segment, one of the people interviewed expressed outrage at the fact that he was laid off while higher management was receiving pay increases. The reporter provided sympathy and support but never bothered to raise any questions as to whether higher management may have made a good decision in pursuing the policy of downsizing as far as their primary duty to the stockholders is concerned. Any journalist who knows economics should realize that one sign of good management is making a company profitable. Those who own the company's stock and depend on its remaining profitable hire management and reward it precisely for making difficult decisions.

The second segment exhibited further economic ignorance. This time the reporter tried to get the president of AT&T to confess to being a supremely greedy man for having received a very good deal indeed in the wake of probably saving AT&T from taking a major economic hit via its failing PC division (which it had acquired in an earlier unwise purchase of NCR). By quickly moving to abandon the PC market, AT&T probably saved the jobs of thousands of employees and the investment of millions of stockholders. But, of course, *60 Minutes* was clueless. It opted for the typical rich-bashing favored by politicians and the popular press.

Responsible economic reporting would have made it clear that in all fields of employment there are times when downsizing must occur. Without such restructuring employers will fail their investors. Football teams, orchestras, faculties at universities, hospitals, television broadcasters, and every other kind of employer can find that without trimming costs, there will be no future left for itself.

Who's to Blame?

If there is any culprit to be held responsible for downsizing, it is the consuming public. But consumers are not culpable either since they do not owe loyalty to any firm, product, or service. They owe loyalty to their own aspirations, goals, wants, and hopes. That is what should dictate their purchasing practices. But by doing so, they will often stop buying certain kinds of goods and services, adversely affecting employees of less favored firms.

CBS, which produces *60 Minutes,* may well experience some downsizing itself, at least if competing networks have anything to say about it. The company has been steadily falling in the ratings. Some changes are already being made at the program—with the addition of face-offs between Molly Ivins and Stanley Crouch and P. J. O'Rourke—and it may have to be scrapped entirely.

In the meantime, celebrity newscasters and viewers should familiarize themselves with the realities of the business world. One such reality is that a firm does not exist primarily for the sake of making its loyal employees happy, secure, and satisfied. It exists to further the goals of those who invest in it, who own it, so they can send

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

their kids to college, take vacations, provide for the future, and eat healthy meals. Employees can never become complacent.

In the United States, there is now too much complacency about security. People are being told by too many commentators that they are owed a living, that they have "a right to a job," "a right to a living wage," and "a right to health care and social security." So it is no wonder that laid-off employees are baffled, their self-esteem damaged—they think they are being cheated when the market can no longer sustain them in their preferred line of work.

In other systems we see illusory security and then, when the roof caves in, disappointment and disillusionment. In a free-market economy, one is never deceived about security, and can make preparations, take precautions, take out insurance, set aside resources for times of economic hardship.

There is no such thing as a risk-free economic system. □

Overcoming Media Bias

In a country that values press freedom, can anything be done to offset the problem of biased reporting? It can, if critics of the practice retain respect for liberty, fair-mindedness, and even a sense of humor. It's also important to remember that while we can't always rely on the popular mass media for an unbiased outlook, we can find additional facts and opinions in the great variety of publications that are available to us. In other words, where liberty of the press is maintained and protected, the problem of media bias will be self-correcting.

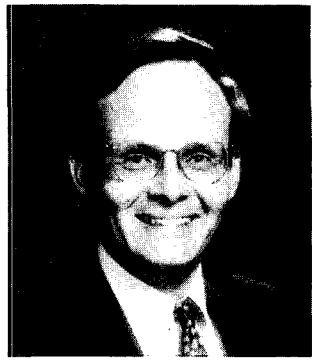
Be wary and skeptical of what you read and hear in the mass media. But be more on guard against those who would use your discontent to destroy liberty. In the commercial field, consumer dissatisfaction with some products and services became the pretext for destroying a great deal of personal freedom under the guise of regulation. This was a far worse bargain for the public than a few customers might have been getting in the marketplace.

Today, many of us are unhappy with the media, which works in the marketplace for information and ideas. While we cannot rely on the media completely for an unbiased political outlook, we can rely on our own common sense and love of liberty to deal constructively with the media bias. If there's a good general understanding and acceptance of liberty, there will also be sufficient checks and balances in the information marketplace to correct any amount of biased coverage.

—MELVIN D. BARGER

Excerpted from Clichés of Politics *(Foundation for Economic Education, 1994).*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Reviving a Civil Society

"Taxes," said Oliver Wendell Holmes, Jr., "are what we pay for civilized society." But as my fellow *Freeman* columnist Mark Skousen explained in his remarkable monograph "Persuasion vs. Force," a much better case can be made that taxation is actually the price we pay for the *lack* of civilization. If people took better care of themselves, their families, and those in need around them, government would shrink and society would be stronger as a result.

Skousen put it well when he stated in a recent interview with the Acton Institute for the Study of Religion and Liberty, "[E]very time we pass another law or regulation, every time we raise taxes, every time we go to war, we are admitting failure of individuals to govern themselves. When we persuade citizens to do the right thing, we can claim victory. But when we force people to do the right thing, we have failed." The triumph of persuasion over force, people helping people because they want to and not because government tells them they must, is the sign of a civilized people and a civil society.

For all people interested in the advancement and enrichment of our culture, this is a crucial observation with far-reaching implications. Cultural progress should not be defined as taking more and more of what other people have earned and spending it on "good" things through a government bureaucracy. Genuine cultural progress occurs when individuals solve problems without resorting to politicians or the police and bureaucrats they employ.

When the French social commentator Alexis de Tocqueville visited a young, bustling America in the 1830s, he cited the vibrancy of civil society as one of this country's greatest assets. He was amazed that Americans were constantly forming "associations" to advance the arts, build libraries and hospitals, and meet social needs of every kind. If something good needed doing, it rarely occurred to our ancestors to expect politicians and bureaucrats, who were distant in both space and spirit, to do it for them. "Amongst the laws which rule human nature," wrote Tocqueville in *Democracy in America*, "there is none which seems to be more precise and clear than all others. If men are to remain civilized, or to become more so, the art of associating together must grow and improve."

It ought to be obvious today, with government at all levels consuming a whopping 41 percent of personal income, that many Americans don't think, act, and vote the way their forebears did in Tocqueville's day. So how can we restore and strengthen the attitudes and institutions that formed the foundation of American civil society?

Certainly, we can never do so by blindly embracing government programs that

Lawrence W. Reed, economist and author, is president of the Mackinac Center for Public Policy, a free-market research and educational organization headquartered in Midland, Michigan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

crowd out private initiatives or by impugning the motives of those who raise legitimate questions about those government programs. We cannot restore civil society if we have no confidence in ourselves and believe that government has a monopoly on compassion. We'll never get there if we tax away 41 percent of people's earnings and then, like children who never learned their arithmetic, complain that people can't afford to meet certain needs.

We can advance civil society only when people get serious about replacing government programs with private initiative, when discussion gets beyond such infantile reasoning as, "If you want to cut government subsidies for Meals on Wheels, you must be in favor of starving the elderly." Civil society will blossom when we understand that "hiring" the expensive middleman of government is not the best way to "do good," that it often breaks the connection between people in need and caring people who want to help. We'll make progress when the "government is the answer" cure is recognized for what it is—false charity, a "cop-out," a simplistic non-answer that doesn't get the job done well, even though it makes its advocates smug with self-righteous satisfaction.

Restoring civil society won't be easy. Bad habits and short-term thinking die hard. It is especially difficult to get the civil society message through the major news media's filter unscathed. A recent editorial in a major Michigan newspaper is a good case in point. In arguing against suggested cuts in the state's budget, the editorial equated the restoration of civil society with subjecting human life "to the largesse of the highest bidder in the marketplace." What a shame that so many newspapers will routinely lament the superficiality of political campaigns and then employ bumper-sticker slogans when it comes to serious proposals to remove the bane of Big Government from our lives.

That editorial did not feed, clothe, or house a single needy person. It probably did very little to comfort the afflicted. It did not inspire a single act of voluntarism on behalf of a troubled family. It may, however, have lulled some readers into a deeper sleep of complacency. Government, after all, is taking care of things and that, the editorial implied, is as it should be.

Meanwhile, more thoughtful writers are noticing encouraging trends in the country. A remarkable article in the January 29, 1996, issue of *U.S. News & World Report* trumpeted the "revival of civic life." Among the examples it cited was that of Frankford, Pennsylvania. Frankford had become a highly taxed, depressed, and government-dependent community desperate for answers. A spark of civil society was lit, and now people are solving problems themselves. "When a record 30 inches of snow was dumped on the city, . . . Frankford didn't stand around moaning about the inefficiency of city workers. Residents rented snowplows and split the cost," the article noted.

Perhaps if Tocqueville were to visit this little Pennsylvania town today, he would see a glimmer of America's greatness in the 1830s. He would be impressed with the spirit of the community and might even suggest that Americans everywhere should take note. The citizens, Tocqueville might remark, are not sitting back, bemoaning their plight, and editorializing about how the politicians should save them. "Once you get past the resentment of the government not doing it for you, you get it done yourself," one local resident put it.

We can learn a whole lot more from the Frankfords of the world than from those who think charity means spending someone else's money or just pontificating about social needs from behind a word processor. Restoring civil society requires that we "Just Say No" to shirking our personal responsibilities and expecting government to do for us what we can and should do on our own, within our personal lives, our families, and our local communities. It requires us to think creatively about stimulating private initiative, and then just *doing* it. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Obscenity: The Case for a Free Market in Free Speech

by T. Franklin Harris, Jr.

Despite the unambiguous language of the First Amendment, speech—of all kinds—has been regulated by government—at all levels—throughout the history of the United States. The first federal attempt to circumvent the First Amendment's prohibition of laws "abridging the freedom of speech, or of the press" was the Sedition Act of 1798, which, among other things, made criminal the utterance or publication of any false, scandalous, and malicious "writing or writings against the government of the United States, or either house of Congress of the United States, or the President . . . , with the intent to defame . . . , or to bring them, or either of them, into contempt or disrepute; . . ." The government's more recent attempts to control speech have included the Children's Television Act of 1990,[1] and various content-related provisions of this year's Telecommunications Act.

Many, if not most, of these speech restrictions have been struck down by the courts—particularly restrictions upon expressly *political* speech (e.g., the Sedition Act, which the Supreme Court declared unconstitutional in 1964—long after it expired of its own accord). Nonpolitical speech, on the other hand, has had to struggle for respectability.

Works of fiction have been a favorite target of censors. A cursory reading of Anne Haight and Chandler Grannis's *Banned Books: 387 B.C. to 1978 A.D.* reveals that such authors as Oscar Wilde, H.G. Wells, and Sinclair Lewis all had works that bore the infamous label "banned in Boston."[2] Today, cultural traditionalists get upset when the works of such authors are absent from high school curriculum.

The expressed purpose of art censors generally has been to protect public morality. In particular, censors have tended to object to anything with sexual content. Hence, all kinds of literature from *Fanny Hill* to the works of D.H. Lawrence to Henry Miller's *Tropic of Cancer* have come under fire for depicting sexual relations in ways that offend the sensibilities of one group or another.

Eventually, however, a series of Supreme Court rulings began to extend First Amendment protections to most works with strong sexual content. The commonly cited distinction between "indecent" and "obscene" speech had its roots in the 1957 *Roth v. United States* decision, which declared that obscenity is not constitutionally protected. Along with the 1973 decision in the case of *Miller v. California, Roth* helped establish the three-prong test presently used to draw the line between protected but indecent speech and allegedly nonprotected obscene speech.

According to the *Miller* decision, a work

Mr. Harris, tfharris@HiWAAY.net, is the news librarian for a major daily newspaper in Alabama.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is obscene if (1) "the average person, applying contemporary community standards, would find that the work, taken as a whole, appeals to the prurient interest . . . ," (2) "the work depicts or describes, in a patently offensive way, sexual conduct specifically defined by state law," and (3) "the work, taken as a whole, lacks serious literary, artistic, political or scientific value."

While the *Miller* decision tries to limit the context in which censorship is a constitutionally valid practice, the very standards *Miller* sets up are largely, if not entirely, subjective. Indeed, the "community standards" argument itself is a half-hearted acknowledgment that artistic value admits no easy, objective criteria. The end result of *Miller* has been censorship run amok.[3]

The First Amendment

There are, of course, those legal scholars who are unworried by the prospect of "censorship run amok." Ignoring the text of the Constitution itself and instead relying upon the doctrine of "original intent," jurists such as the early Robert Bork claim that the First Amendment protects only *political* speech. All other speech potentially is fair game.

If original intent is a valid form of constitutional interpretation, there is something to be said for the legitimacy of many forms of governmental censorship. After all, in the newly free United States of the time of the Constitutional Convention and the ensuing ratification debates, political matters had been, naturally, first and foremost in the public mind. But is original intent valid?

There is ample evidence to suggest that at least some of America's founders would have wanted free speech protection extended even to artistic works deemed obscene under the "community standards" of the Colonial era. As Nat Hentoff notes, "James Madison, the principal creator of the First Amendment, and a very studious man, was also known for his considerable reservoir of Rabelaisian anecdotes." He continues:

> In the libraries of many of the framers, as well as those of the other colonists, were such erotic classics of the time—some of them likely to get their sellers busted two centuries later—as John Cleland's *Memoirs of a Woman of Pleasure*, Ovid's *Art of Love*, the stories of Rabelais, and especially two sexually graphic works by Framer Benjamin Franklin, *Advice to a Young Man on Choosing a Mistress* and *Polly Baker*. (Thomas Jefferson wrote approvingly of *Polly Baker*.)[4]

At about the same time that the Bill of Rights was being ratified in the United States, the Marquis de Sade was having his first works banned in France. Clearly, if the Framers intended government to regulate offensive speech, they could have said so. Nevertheless, at the time of the founding, only Puritan Massachusetts had any obscenity statutes at all, and that state's one law dealt with religious obscenity—i.e., blasphemy—not sexual obscenity.[5]

Ultimately, it is perhaps best to assume that the First Amendment means what it says: Congress (and now, thanks to the Fourteenth Amendment, government in general) may make no law abridging the freedom of speech, or of the press. Still, such a conclusion is merely a *legal* defense of absolute free speech. It doesn't touch the issue of what our attitude toward free speech *ought* to be.

Are there practical and moral reasons for opposition to the censorship of obscenity? The Supreme Court's decisions in the *Roth* and *Miller* cases were partial concessions to the fact that different people have different levels of tolerance when it comes to depictions of sexual acts and situations. Rather than attempt to lay down an objective standard for obscenity, the Court left the authority to judge in the hands of "communities." Thus, the Court recognized no collective, national standard for obscenity.

Yet local communities are made up of disparate individuals as well. If the Supreme Court should not force its artistic standards upon a diverse citizenry, why should mayors and city councilmen—or perhaps special censorship boards—have the ability to do so?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The community standard rule enshrines in law a purely arbitrary majoritarianism. Thus, one majority in one community (or their elected representatives) can enact one standard, while a majority next door (or across the country) can enact an entirely different standard. The result is a legal practice that violates two cornerstones of justice: the Rule of Law and equality before the law.

While the concepts of a Rule of Law and of equality under the law are different—the Rule of Law is a much richer concept—the first subsumes the second. The Rule of Law in a general sense is violated, as F. A. Hayek notes, whenever arbitrariness enters into the equation. Only when "the rule is laid down in ignorance of the particular case and no man's will decides the coercion used to enforce it [is] the law . . . not arbitrary."[6] Yet, because the community standard rationale for censorship proceeds without a prior definition of what is or is not obscene, it cannot help but be arbitrary. Not only do standards change over time, but the enforcement of the community-based censorship rule also will differ depending upon the standards of the individual censors. (In practice, the individual standards in question usually are those of the police who initiate the "bust," the district attorneys who decide whether or not to prosecute, and the people serving as jurors at the time.)

Not only is the definition of what is obscene arbitrary, but the definition of what makes up the community whose standards supposedly count is arbitrary as well. Is, after all, a community a city or town? Is it a county or parish? Is it a state? The only thing the Supreme Court has made clear is that the community is *not* the United States—a rather odd notion since the First Amendment is a law of the *American* community, insofar as the Amendment governs the entire nation.

Equality under the law in a narrow sense fares no better than does the Rule of Law generally. Hayek explains that equality under the law is the best protection of general liberty:

> The chief safeguard is that the rules must apply to those who lay them down and those who apply them—that is, to the government as well as the governed—and nobody has the power to grant exceptions. If all that is prohibited and enjoined is prohibited and enjoined for all without exception . . . and if even authority has no special powers except that of enforcing the law, little that anybody may reasonably wish to do is likely to be prohibited.[7]

In short, equality before the law is the surest protection against political tyranny because it subjects the rulers to the law as much as it subjects the ruled. Thus, one can easily see why legal equality is a valued part of the American legal tradition. Yet censorship blatantly violates the principle of legal equality in a way no other type of law enforcement can, for at least the censors themselves must view the material that is allegedly unfit for viewing.

First, Do No Harm

The three-prong test the Supreme Court laid down in its vague attempt to define obscenity includes an exemption protecting some works from censorship. To be obscene, a "work, taken as a whole, [must lack] serious literary, artistic, political or scientific value." The Supreme Court's 1987 *Pope v. Illinois* decision modifies this test somewhat, substituting a "reasonable person" standard for the community standard. "But again," as Clint Bolick notes, "the Court's test inevitably will substitute a particular value judgment—whether of a judge, state legislature, jury, or community—for the judgment the First Amendment entrusts to each individual."[8] Bolick might also add that the reasonable-man test places judges and juries in the absurd position of playing art and literary critics, scientists, and philosophers. Moreover, "reasonable person" remains as ill-defined as does obscenity.

Nevertheless, one wonders why artistic (or political, or scientific) merit matters at all. Although people may joke about doing so, no one really advocates censoring a work because it lacks artistic merit. The reason for censorship—allegedly—is to pro-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tect an unsuspecting public and its children (and perhaps the mentally incompetent) from harm—principally, moral corruption. Yet a work can have artistic (or other) merit while still being just as likely to corrupt impressionable minds as is any given artless effort. The aforementioned Marquis de Sade probably is unrivaled in his ability to offend unsuspecting sensibilities, yet his works contain philosophical insights (whatever their merit) that influenced artists and intellectuals from Nietzsche to D.H. Lawrence. So, why spare dangerously explicit works just because they have some value in the eyes of an abstract "reasonable man"?

The Supreme Court, however, rejects the idea of censoring messages that, unlike yelling fire in a crowded theater (in the absence of a fire, of course), do not pose a clear and present danger. Indeed, even the rights of the most outrageous proponents of the most dangerous *political* ideas are seldom if ever questioned.

When certain talk-radio conspiracy theorists came under fire for allegedly provoking last year's terrorist bombing in Oklahoma City, they were simply criticized. Never were they threatened with censorship.

Only sex—and to a lesser but growing extent, violence—in art is deemed worthy of censorship on the basis of purported harm. This is true even though the demonstrable harm of certain ill-founded political ideas (e.g., Marxism and fascism) has been far greater than any amount of harm ever attributed to sexually explicit material.

Of course, one might object that obscene material can be censored because sex simply is not as important as politics. If government censors unpopular political speech, the result is tyranny without the possibility of dissent. Even if sexual speech is outlawed, however, dissidents can still talk about the *political* injustice of censorship.

Furthermore, the potential censor might object that sexually explicit materials that contain some educational value are fine, while those that are just "for fun" are not. (Indeed, the Supreme Court's test recognizes this possibility.) This objection, however, is self-defeating. Sexual explicitness can arouse regardless of context, and if sexual arousal is somehow intrinsically harmful to the public's moral character, how does context matter? Indeed, if the public outcry over televised condom television commercials and some forms of sex education is any indication, most potential censors are uninterested in purported informational merit.

Finally, one could propose some sort of utilitarian cost/benefit analysis to attempt to determine the trade-offs between the good and the harm brought about by sexually explicit displays. Yet how such a calculus would be performed is hardly clear. The tradeoffs seem impossible to calculate because the requisite data exist only as the subjective evaluations of diverse individuals. The contention, after all, that we *ought* to perform such an analysis assumes that we *can*.

Even the question of whether or not any particular sexually obscene depiction is harmful admits no easy answers. Such questions are ultimately moral, and moral inquiries must include all available information.

Making Moral Judgments

How do we, as a society, know what is or is not obscene? First we must know *how we know* before we can even begin to draw moral distinctions. In the case of obscenity, we must know something *about* obscenity; we must be able to *study* examples of materials that others before us have deemed obscene.

The proposition that obscenity is immoral to begin with depends upon an intimate knowledge of obscenity; it depends upon freedom of speech and expression. It is hardly surprising that the anti-pornography works of Catherine MacKinnon and Andrea Dworkin are filled with the very obscenities they condemn. Evidence is needed to present a case: when one U.S. senator fought to enact the Internet indecency provisions of the Telecommunications Bill, he used a blue spiral notebook filled with "indecent" photographs in order to gain the support of his colleagues.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Changing Channels

Television is more of a negative than positive experience for many of today's viewers—especially the young ones—and I would agree that some changes are in order. However, I believe the legions of well-meaning child and family advocates who are begging the government to impose substantial restrictions on the industry are seriously misguided.

Even with regard to the naive, vulnerable, and highly impressionable little ones, the choices have been there all along. Popeye was beating up Brutus and mangling the English language long before the Teenage Mutant Ninja Turtles emerged from the sewer. And Captain Kangaroo was instilling self-esteem, encouraging responsibility, and building preschool skills when Sesame Street was still a dirt road.

Consequently, those who call for government control and censorship—as well as those who recommend turning off the tube completely and permanently—risk throwing the baby out with the bath water.

When it comes to addressing the potentially destructive influence of television, it is clear that concentrating on content is counterproductive and misses the point. The primary problem today is that too many children watch too much television, and that problem is exacerbated by the fact that they routinely watch television by themselves or with other children instead of with an adult. As a result, too many kids are getting an overdose of the worst television has to offer, and they are processing the messages sent via the airwaves—good, bad, and neutral—without strong and persistent parental input to interpret, elaborate, buffer, and contradict what they see and hear on the tube.

Therefore, the obvious solution is that mothers and fathers should limit the amount of television their children watch. In addition, parents should watch television with their kids on a regular basis so they can supply suitable commentary, explore relevant issues, and answer queries if necessary.

—MICHAEL K. MEYERHOFF

Dr. Meyerhoff is the executive director of The Epicenter Inc. (The Education for Parenthood Information Center), 15 Bemis Road, Wellesley Hills, MA 02181. Excerpted from his article in the April 1996 issue of Hemispheres.

If human beings are to be fully realized moral agents, they must be free to make moral decisions on the basis of all available evidence. To deprive adults of the ability to make their own judgments is to turn the government into a nanny state and reduce adults to the moral equivalents of children.

If obscenity is evil, it can be declared evil without its being made illegal. If obscenity is illegal, however, law-abiding citizens will be unable to make their own judgments. Instead, they will be like the parishioners of medieval churches: illiterate, without their own copy of text to interpret and discuss with others—and forced to rely upon blind faith in authority.

Saving Children Through Market Forces

Children, unlike adults, are not full moral agents. Rather they are in the process of becoming, principally through parental instruction, such agents. Do not parents have an obvious interest in seeing that their children's impressionable minds are shielded, at least for a time, from harmful influences?

Parents certainly have a responsibility to try at least to pass on their values. Fortunately, it is quite possible for parents to protect their children without government help—if parents are so inclined.

Cable television companies provide spe-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cial "lock boxes" that, with the turn of a key, can black out channels parents wish their children not to view. Turn a key, and the problem is solved.

What about record and video stores allowing minors to rent or purchase indecent material? A responsible parent can simply return the offensive material for a refund and then punish the child for having done something wrong. The object of parenting, after all, is to instill values in one's children, not in store clerks.

In the early 1990s, local authorities brought charges against a comic-book store in Florida for selling a "mature readers" comic, published by an imprint of DC Comics, to a 14-year-old. The child in question, however, was accompanied by his mother—who apparently did not bother to pay any attention to her child's purchase. The judge ruled in favor of the store owner.

Of course, most parents are more responsible, and responsible parents find the free market quite willing to accommodate their child-rearing decisions. The Internet, for example, is a new and rapidly growing institution. Yet smart entrepreneurs are already latching onto the profit potential to be found in marketing Internet indecency filters.

Television, on the other hand, presents other challenges. The U.S. Congress has proposed the mandatory installation of "V-chips" in all new television sets. Parents could program these chips to block out programming preceded by an electronic trigger signal indicating that a program contains objectionable material. It is difficult to see how such a system would function, however, without the government ultimately deciding which kinds of programs merit what kinds of ratings.

Fortunately, the freer telecommunications becomes, the more non-governmental options parents have. As George Gilder—hardly a defender of "smut"—has noted, the proliferation of television channels will result in less *broadcasting* and more *narrowcasting*.[9] Deregulation of the electronic media has caused the number of channels to skyrocket. Where once only three networks tried to reach the lowest common denominator, now hundreds of specialized channels aim at science fiction enthusiasts, history buffs, world travelers, country music fans, people who want their MTV, and people who pray for their EWTN. Channel proliferation means that material parents are likely to find objectionable (programs on, say, MTV or the Playboy Channel), will be confined to a few distinct channels for which parents can either refuse to pay, or that they can block out with existing technology.

And if technology is not enough, individuals can exert pressure on businesses even without the coercive power of government. Firms conscious of the bottom line are in no hurry to offend large numbers of their customers. When the film "Showgirls" was released in the United States, it was absent from a great number of theaters, not because of censorship, but because of public outcry against the film. Theater owners simply did not want the hassle of angry demonstrators.

No system is perfect. Young boys, as always, hide away with dirty magazines irrespective of whether or not there is censorship in force. But the free market—not government censorship—is providing concerned parents with answers. The market treats adults as adults and allows parents to treat children as children. Censorship, however, allows the government to make children of us all. □

1. See my "Children's Television Shouldn't Be Regulated," *The Freeman* (January 1991), pp. 29–30.
2. Ann Lyon Haight and Chandler B. Grannis, *Banned Books: 387 B.C. to 1978 A.D.* Fourth Edition (New York: R.R. Bowker Company, 1978).
3. Censorship in Alabama, for instance, has gotten so out of hand that in March of this year the state attorney general's office was forced to dismiss charges against 32 "pornography peddlers" because the office lacked the resources to prosecute all the cases. Some 700 other obscenity cases, in one county alone, were settled for similar reasons.
4. Nat Hentoff, *Free Speech for Me—But Not for Thee: How the American Left and Right Relentlessly Censor Each Other* (New York: Harper Collins, 1992), p. 317.
5. Laurence Tribe quoted in Hentoff, *ibid.*
6. Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), p. 153.
7. Hayek, *op.cit.*, p. 155.
8. Clint Bolick, *Grassroots Tyranny: The Limits of Federalism* (Washington, D.C.: Cato Institute, 1993), pp. 127–128.
9. George Gilder, *Life After Television* (New York: Norton, 1992).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Who Put the E in E-Mail?

by A. M. Rogers

I'm Enthusiastic about mail. I'm like the woman the Essayist J.B. Priestley wrote about who would have committed suicide Except she was Expecting a letter in the next day's post.

I not only love mail but I'm also a fervent Epistolarian. An Ever-diminishing breed, I know. Nonetheless, my Christmas cards were in the mail in Early December Each with a personal handwritten letter. No computer-generated replications for me. The reason for getting them out Early was to motivate less Enthusiastic writers. It was also to Ensure they'd have sufficient time to prepare their own Excellent compositions. Alas. Most cards I received were note-less. The remaining had a "to whom it may concern" biographical summation of the year's events. Bold, slashing brushstrokes, true, but lacking the details that make a picture interesting, not to mention Entertaining. Afterwards, I felt like the woman who considered committing suicide . . . though this time with no hope of any future mail. My vision was of a mailbox forever Empty.

E-mail then Entered my life.

Though hardly an Explorer, I had no choice. It became apparent that if I was to increase the pathetic flow of my mail, I was going to have to Evolve. I was going to have to Expand my horizons. I was going to have to get Electronic. The occasional letters I received from a law school friend who had written despite moves from Massachusetts to North Carolina to Mississippi in barely a half dozen years had Ended altogether when she went on line. It had reached the point that the only person who wrote to me regularly was my mother. I had been getting America On Line's disks in the mail. I finally installed one in my home computer.

The installation part was Easy and took about five minutes. Learning the E-mail how-tos was another matter. Evidentially, you click on "compose mail." But figuring out my E-mail address was the first problem (it's your America On Line name in small letters without spaces, followed by "@aol.com"). The second problem was how to send it. My husband who is a far more proficient hacker than I am kept proclaiming this whole E-mail business a cinch and then proceeded to send several files of Johnny Depp our daughter had downloaded into the computer along with our E-mail letter to one of my friends. Eventually we figured it out.

Now Each workday, I come home for lunch and retrieve my mail at the mailbox and if there's nothing there, who cares? Because the next thing I do, Even before preparing lunch, is to log on to America On Line. My computer is as Elated as I am. "You've got mail," it announces.

And I do.

I get mail almost Every day. Enjoyable mail. I write to my law school friend in Mississippi and she writes back almost Every day. My sister-in-law in Ohio writes to me from work during her lunch hour and

Ms. Rogers is an attorney in Ormond Beach, Florida.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

I write back during mine. And my nephew has E-mailed me from California.

Though E-mail doesn't have as much spontaneity as the telephone, it certainly has more spontaneity than regular mail. Sometimes I send a letter in the morning before I leave for work and come back home for lunch to find the answer. It's possible to write back and forth as many times a day or night as you'd like. It is less costly than a stamp and more Economical than a phone call. For America On Line's approximately $10 a month charge, you can send Endless E-mails. Not Enough reasons for you? There are more. You choose the time to retrieve your messages and you choose the time to send them. No more meals interrupted by phone calls. You're in control now.

And glory bE! You can Even get mail on Sundays.

Isn't it Exciting? Technology will do what so many of us have wanted and what the post office had promised. A mail not delayed by rain or sleet or snow. An Electronic mailman who delivers mail to us mail-lovers Each and Every second of the day.

Eureka! □

"A Never-Ending Worldwide Conversation . . ."

The Internet is a far more speech-enhancing medium than print, the village green, or the mails. . . . Speech on the Internet can be unfiltered, unpolished, and unconventional, even emotionally charged, sexually explicit and vulgar—in a word "indecent" in many communities. But we should expect such speech to occur in a medium in which citizens from all walks of life have a voice. We should also protect the autonomy that such a medium confers to ordinary people as well as media magnates . . . the Internet may well be regarded as a never-ending worldwide conversation. The government may not, through the CDA, interrupt that conversation. As the most participatory form of mass speech yet developed, the Internet deserves the highest protection from governmental intrusion . . . the strength of our liberty depends on the chaos and cacophony of the unfettered speech the First Amendment protects."

—JUDGE STEWART DALZELL
U.S. District Court, Eastern Pennsylvania
June 12, 1996

Excerpted from Judge Dalzell's decision regarding the Communications Decency Act (CDA).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Is the Public Served by the Public Interest Standard?

by Adam D. Thierer

The so-called "public interest standard" has governed communications policy decision-making at the Federal Communications Commission (FCC) for more than 70 years. It is time to question whether this "standard" does indeed serve the public, or if it has instead served only the interests of regulators and companies that stand to gain via the regulatory process.

Ever since the passage of the Radio Act of 1927, federal regulators have been given the power to regulate if they found it was in the "public interest, convenience, or necessity." This meant that regulators were given broad authority and discretion to regulate in the name of communications consumers. Unfortunately, in practice, this has resulted in the public truly having no voice in this marketplace.

Why is this so? Precisely because Congress has never defined what exactly is "in the public interest." As Nobel Laureate economist Ronald Coase noted over 35 years ago, "The phrase . . . lacks any definite meaning. Furthermore, the many inconsistencies in commission decisions have made it impossible for the phrase to acquire a definite meaning in the process of regulation."[1] More recently, critics have pointed out that regulation "in the public interest" has come to mean whatever is in the interest of regulators to do at a given time.[2] Hence, the "public interest" or "public trustee" model of regulation that sprang up 70 years ago gave regulators the ability to exert unusual influence and require special demands be fulfilled, especially as a condition of broadcast spectrum license renewal.[3] In effect, therefore, the standard is a non-standard: it has no fixed meaning.

Over time, FCC actions taken "in the public interest" have had less than desirable results. Consider:

- To supposedly serve the "the public interest," the FCC instituted in 1949 the inappropriately named "fairness doctrine." The doctrine required radio and television broadcasters to "afford reasonable opportunity for the discussion of conflicting views of public importance."[4] Instead of promoting the discussion of conflicting views and free speech in general, the fairness doctrine stifled it. In fact, over the span of its 40-year existence the doctrine was used as a tool of blatant political intimidation and influence by threatening license revocation for failure to comply with the political whims of the day.[5] The Reagan administration FCC wisely repealed the doctrine in 1987, citing First Amendment concerns and the fact that program diversity (informational, educational, religious, and entertainment fare) had increased steadily over time.
- To promote "the public interest" in the

Mr. Thierer is the Alex C. Walker Fellow in Economic Policy at The Heritage Foundation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

early 1960s, the FCC restricted the development of cable television at the request of broadcasters who felt their turf was being threatened. As telecommunications scholars Michael K. Kellogg, John Thorne, and Peter W. Huber note, "For many years the FCC's principal objective was to suppress the cable industry by preventing direct competition between cable, and over-the-air broadcasting. It did so quite successfully. . . ."[6] Essentially, the commission did not allow the entrepreneurial cable industry to offer innovative service options to consumers since it posed a threat to the survival of some local broadcasters. This regulatory setback delayed the onset of video competition for over a decade.[7] Despite no clear justification of how this served "the public interest," the FCC carried these anti-competitive policies, even though no explicit grant of Congressional authority had been given to do so.[8]

- More recently, the FCC has attempted to serve "the public interest" by using the Children's Television Act of 1990 as a tool of blatant regulatory extortion. The FCC went beyond the statutory language of the act and used the law to demand a specific, quantitative minimum number of hours of children's programming[9] in exchange for other business freedoms. For example, after CBS and Westinghouse announced their intention to merge, FCC regulators (who have the power to block such alliances) forced the companies to promise that certain quantitative programming requirements would be honored as a condition of merger approval. Several other firms have faced similar threats from the FCC as a condition of normal business operation.

Fewer Choices, Less Freedom of Speech

Two things should be obvious from these examples of the public interest standard in action. First, the public interest or public trustee model of regulation often does not serve the public in any constructive way. Industry competition and innovation is often discouraged because of the standard, meaning the public has fewer and poorer quality choices available to them.

Nobel Laureate Ronald Coase of the University of Chicago. In his 1959 article, "The Federal Communications Commission," Professor Coase commented that the phrase "in the public interest" "lacks any definite meaning."

Secondly, the public interest standard makes a mockery out of the First Amendment, especially in the realm of electronic wireless communication. Ever since the adoption of the Radio Act of 1927, Congress and the FCC have bought into the mistaken notion that the supposed scarcity of spectrum, or potential interference within the spectrum, justifies asymmetrical First Amendment treatment of electronic communications providers.

As Thomas G. Krattenmaker and Lucas A. Powe, authors of *Regulating Broadcast Programming* argue, "[B]y adopting public ownership of the spectrum and administrative control over its uses, Congress chose a legal regime for broadcasting that differs

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

radically from the law that governs every other mass communications medium in the United States. Congress thus put its imprimatur on the twin myths that scarcity and interference are phenomenon unique to broadcasting and that scarcity and interference necessitate administrative control of the quality of broadcasts."[10]

Ironically, regulation itself created artificial scarcity and interference within the spectrum. Because the government enforced an extremely inefficient licensing policy in the early days of spectrum management and then rejected the imposition of a more orderly property-rights regime to govern the spectrum, scarcity and interference resulted. Instead of solving the problem by instituting property rights and private ownership, which solved the problems of land scarcity and trespass centuries ago, Congress and the FCC instead opted for an inefficient system of public management with "the public interest standard" as its guiding star.

The rest, as they say, is history. But it is a history we should not and cannot forget since we are still living with its adverse consequences. The FCC still uses the public interest standard to restrict beneficial industry advances that, in turn, deny new services to the public. It also inhibits the free flow of information and free speech in general.

How, then, can "the public interest" be truly served? By encouraging vigorous market competition—and by rejecting misguided social compacts and vague regulatory standards flowing from Washington. □

1. Ronald H. Coase, "The Federal Communications Commission," *The Journal of Law and Economics*, Vol. 2 (October 1959), pp. 8–9.

2. See, William T. Mayton, "The Illegitimacy of the Public Interest Standard at the FCC," 38 *Emory Law Journal* 715 (1989), pp. 715–769; Mark S. Fowler and Daniel L. Brenner, "A Marketplace Approach to Broadcast Deregulation," *Texas Law Review*, Vol. 60 (1 1982–1983), pp. 207–257; Thomas G. Krattenmaker and Lucas A. Powe, *Regulating Broadcast Programming* (London: The MIT Press, 1994), pp. 173–174; Adam D. Thierer, "A Report Card on the Pressler Telecommunications Plan (S.652)," *Heritage Foundation Issue Bulletin* No. 209, May 5, 1995, pp. 14–15.

3. This does not mean, however, that broadcasters put up a serious fight to end the public trustee paradigm. On one hand they speak of its importance to ensure that viable competitors are kept out of their market, while on the other, they cite its intrusiveness as an excuse to produce mediocre programming. As Henry Geller, fellow at the Markle Foundation notes, "A broadcaster loves to be considered a public interest figure. Broadcasters generally want the economic benefits of being a public fiduciary without having to meet the burden of adhering to public interest content regulation." See Henry Geller, "Broadcasting and the Public Trustee Notion: A Failed Promise," *Harvard Journal of Law and Public Policy*, Vol. 10, No. 1 (Winter 1987), p. 90.

4. FCC Report, Editorializing by Broadcast Licensees, 13 F.C.C. 1246, (1949).

5. For more information see Adam D. Thierer, "Why the Fairness Doctrine is Anything But Fair," *Heritage Foundation Executive Memorandum* No. 368, October 29, 1993; E. Brandt Gustavson, "The Fairness Doctrine: Once and Future Threat to Speech, Religion," in *Speaking Freely: The Public Interest in Unfettered Speech* (Washington, D.C.: The Media Institute, 1995), pp. 87–106; "The Hush Rush Law," the *Wall Street Journal*, September 1, 1993, p. A14; John Corry, "Fairness Most Foul," *The American Spectator*, November 1993, pp. 50–51; Thomas W. Hazlett, "The Fairness Doctrine and the First Amendment," *The Public Interest*, Summer 1989, pp. 103–116; Jonathan W. Emord, "Toward a Free Broadcast Press," *Freedom Technology, and the First Amendment* (San Francisco: Pacific Research Institute, 1991), pp. 233–248; Krattenmaker and Powe, "The Fairness Doctrine," in *op.cit.*, pp. 237–275; Ford Rowan, *Broadcast Fairness: Doctrine, Practice, Prospects* (New York: Longman, 1984).

6. Michael K. Kellogg, John Thorne, and Peter W. Huber, *Federal Telecommunications Law* (Boston: Little, Brown, 1992), p. 689.

7. See Jonathan W. Emord, *Freedom, Technology, and the First Amendment* (San Francisco: Pacific Research Institute for Public Policy, 1991), pp. 252–254.

8. See Thomas W. Hazlett, "Station-Brakes: The Government's Campaign Against Cable Television," *Reason*, February 1995, pp. 41–47. Hazlett notes that when cable television (or "CATV" as it was known then) was developing between 1950 and 1972, "Cable television was then officially judged a menace to society, and the [FCC] had launched a regulatory jihad against it. Like all holy wars, this offensive was undertaken in the 'public interest.' " Hazlett dramatically illustrates the FCC's protectionist policies in action by quoting from a 1966 Commission report on cable. The Commission stated: "We must thoroughly examine the question of CATV entry into the major markets, and authorize such entry only upon a hearing record giving reasonable assurance that the consequences of such entry will not thwart the achievement of Congressional goals. We cannot sit back and let CATV move signals about as it wishes."

9. For more information see Adam D. Thierer, "Who Will Mind the Children? The Regulation of Children's Programming in the Information Age," in *Speaking Freely: The Public Interest in Unfettered Speech* (Washington, D.C.: The Media Institute, 1995), pp. 47–66.

10. Krattenmaker and Powe, *op.cit.*, p. 18 [emphasis added].

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NOTES FROM FEE

The Foundation for Economic Education
Irvington-on-Hudson, New York 10533
Tel. (914) 591-7230
Fax (914) 591-8910
E-mail: freeman@westnet.com

September 1996

Growing Income Disparity

No matter how you may gather the data, the gap between the most affluent Americans and everyone else is widening. According to a Census Bureau report, the share of national income going to the top 20 percent of households increased from 40.5 percent to 46.9 percent between 1968 and 1994. Since 1994 the trend has even accelerated. At the present rate of growth, the top 20 percent of households may soon earn more than one-half of national income.

Most legislators and regulators are puzzled and alarmed by this widening income disparity. It's the very opposite of what they hoped to achieve. They spent trillions of dollars since President Franklin Delano Roosevelt found "one-third of a nation ill-housed, ill-clad, and ill-nourished" and President Lyndon B. Johnson declared "war on poverty." President Bill Clinton discovered that "the rich are not paying their fair share," which in 1993 led to stiff tax increases for upper-income Americans. Yet, the gap continues to widen.

It is ironic that the spenders create the very pressures that cause interest rates to rise and capital income to soar. They incur huge budgetary deficits which crowd out business investments, consume capital, and raise interest rates. Simultaneously, they cause wage rates to stagnate or even fall. After all, it is the amount of capital invested that determines productivity and wage rates; to consume capital is to destroy jobs and depress wage rates. The U.S. government is consuming capital en masse, which makes it a driving force for the growing inequality.

The United States enjoys a great stock of productive capital created in the past. But it is one of the worst cases of current saving in the industrial world. U.S. net savings, which are the sum of personal savings and retained business earnings minus total public-sector deficits, amount to less than two percent of gross domestic product. This compares with some seven percent until the late 1970s when the federal deficits were relatively small. Consequently, interest rates have risen steadily as has capital income. Thirty-year treasury bonds now yield more than seven percent, mortgages and mortgage-backed securities more than eight percent.

The Federal Reserve System is adding its weight to the disparity. For several years it conducted easy money policies that pushed stock and bond prices to dizzying heights and created a financial bubble, perhaps the biggest ever. While real hourly wages have fallen since the mid-1970s and many high-paying jobs in manufacturing have disappeared, stock

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

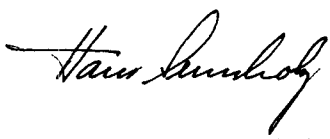
market investors have reaped extraordinary profits. The lion's share of these profits obviously went to the top 20 percent of households. As long as the bubble lasts they are likely to enjoy the disparity.

The rising burden of corporate taxation and regulation has the same effect. It makes it rather difficult to build plants and factories, stores and warehouses, office buildings and other structures. It forces corporations to embark upon a course of downsizing which consists primarily of labor shedding, asset shuffling, and mergers. It depresses wage rates while it provides profit bonanzas. Moreover, when government makes expansion well-nigh impossible business may struggle to remain profitable by computerizing operations and releasing unneeded labor. The phenomenal advances of computer-assisted technology using much high-skilled and highly educated labor have contributed to the income disparity.

A demographic change, finally, may have contributed its share to the growing inequality in household incomes. As labor incomes decline many wives and mothers feel compelled to enter the labor market and supplement the family income. Many are well-educated and highly-skilled. Being married to well-educated professional men, they form households with very high incomes. They have increased the income gap between affluent Americans and all others.

No matter how we may look at the growing disparity of incomes, it confirms a well-known economic principle: political intervention in economic life is bound to make matters worse. It usually brings about the very opposite of what the legislators and regulators had in mind. In order to attain greater economic and social equality they burden the more affluent members of society. But the extractions consume productive capital, which reduces labor productivity and wage rates while it raises interest rates and the returns on capital owned by the rich. Both effects increase the inequality.

Any policy that seeks to deny or defy human nature is bound to disappoint. Designed to reduce or even eradicate economic equality, it must come to grief at the vast differences in human nature. Some individuals are highly productive, rendering extraordinary services to their fellowmen as scientists, inventors, poets, composers, entertainers, athletes, and entrepreneurs; others may be unable or unwilling to render valuable services. In economic terms, some have million-dollar productivity, others have little or none at all. In a competitive economic system, they all tend to earn incomes directly proportionate to the value of their services. Government may forcibly interfere with this process through tax-and-spend "redistribution," but human nature tends to adjust to the force. Making its appearance in the laws and principles of the market, it enlarges the income disparity in order to restore the natural inequality. In recent years, the growing disparity has become another example of the supremacy of economic principle over political force.



Hans F. Sennholz

You cannot correct all the evils of the world, nor relieve all the poverty in the world.
You cannot comfort all in distress, nor support all the underprivileged.
But you can stand by FEE which brings the light of freedom to the world.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NEW FROM FEE!

The Social Security Fraud

BY ABRAHAM ELLIS
with a new introduction by Hans F. Sennholz

"The entire story. . . told truthfully and in detail. . . ."
—Human Events

Polls show that more young Americans believe in UFOs than believe that they will receive Social Security benefits. Even the generous estimates of the government's own statisticians indicate that by the year 2030 the Trust Fund will be bankrupt. Attorney Abraham Ellis brilliantly dissects the inherent problems surrounding America's present Social Security system and offers a promising alternative of privatization.

However, Ellis does more than just tackle the Social Security dilemma. He discusses the ramifications of the "something-for-nothing philosophy" that afflicts modern America. According to the *Manchester Union Leader*, ***The Social Security Fraud*** "should give every American pause as it strips the Welfare State bare."

This new edition contains a new introduction by FEE president Hans F. Sennholz. It has a new index, as well as a new afterword by the author, in which he examines the advantages of privatization of the system.

Published by
The Foundation for Economic Education, Inc.
30 South Broadway, Irvington-on-Hudson, NY 10533

ISBN 1-57246-053-9 • 208 pages • paperback $14.95
Available in bookstores nationally, or call (800) 452-3518

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Lighting Freedom's Path

A documentary of the Foundation, its great mission, and the giants who gave it substance and direction: Leonard E. Read, Henry Hazlitt, and Ludwig von Mises. Their successors explain the mission and their efforts to pursue the ideals of individual freedom, free markets, and limited government.

Videotape, 7 min. **$9.95**

Golden Jubilee Keynote Address

Margaret Thatcher, the greatest statesman of our time who, "with stubborn female determination and obstinacy," turned back the frontiers of socialism. The world has followed in her footsteps ever since. Her keynote address is one of her best on the attractions of socialism and the ways of freedom through deregulation, privatization, and labor union reform. If you missed her memorable speech at our Jubilee on April 11, 1996, or if you would like to see and hear her again, here is your opportunity.

Videotape, 40 min. **$12.95**

Postage and handling: Please add $3 per order of $25 or less; $4 per order of $26-$50; $5 per order of more than $50. Send your order, with accompanying check or money order, to FEE, 30 South Broadway, Irvington-on-Hudson, New York 10533. Visa and MasterCard telephone and fax orders are welcomed: (800) 452-3518; fax (914) 591-8910.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

The Virtues of Free Speech

by Mark Turiano

Any persuasive argument for liberty must involve a connection between liberty and human excellence. The reason for this is clear. An argument for liberty is an argument for its goodness. The ultimate context for all human evaluation of good news is human life. To ask if liberty is good is to seek a connection between it and human goodness or excellence.

Does freedom of speech have any value if we take human excellence seriously? I think so. First of all, freedom of speech has a value in the realm of political economy. The ability to speak one's mind concerning matters of common interest is useful insofar as it helps preserve a more general freedom. A power that is not open to the scrutiny and conscientious objections of those over whom it is exercised is almost certain to be exercised irrationally. The price of liberty, to paraphrase John Philpot Curran, is eternal vigilance. Freedom of speech in this political sense preserves a sphere for the exercise of that vigilance. Freedom of speech is of instrumental value to a jealous love of liberty, without which, freedom of speech is completely impotent. Freedom of speech concerning political matters is worth preserving because it acts as a check against the arbitrary use of power.

Preserving Nonpolitical Speech

However, considered merely as a political tool, freedom of speech is quite limited. It can only be understood to have a bearing on matters that are of common concern. This is quite compatible with a severe repression of speech about private matters. Freedom of speech in this sense could involve my freedom to exhort my neighbors into barring the opening of an X-rated theater in our neighborhood, or in the suppression of the use of foul language. The question then is can there be a justification for expanding freedom of speech to these other areas? Such a justification must show that the protection of certain types of speech in other, nonpolitical, areas (e.g., the arts and sciences) has a connection to human excellence. And it seems that it does; scientific and artistic achievement seem to be fostered by freedom.

How far ought this freedom to extend? The description of sexual function by biologists can be clearly connected to the advancement of learning and maybe even to the curing of disease or preservation of life. The depiction of violence in some artworks might be justified for its cathartic effect. When, for example, Mel Gibson is being disemboweled in *Braveheart* and refuses to submit as an act of defiance to tyranny, this serves primarily as a representation of fortitude and strength of spirit, and only secondarily as a depiction of human cruelty. The cruelty is conquered by the virtue and is overshadowed by it.

What then of the obscene ranting of rap musicians glorifying disregard for law and common decency? Or books and films in which people are senselessly murdered by the sociopathic protagonists, or those which amount to character assassinations of well

Mr. Turiano is a graduate student in philosophy at Emory University, Atlanta, Georgia.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"If all mankind minus one, were of one opinion, and only one person were of the contrary opinion, mankind would be no more justified in silencing that one person, than he, if he had the power, would be justified in silencing mankind." —JOHN STUART MILL, ***On Liberty***

known individuals based on outright lies and half-truths? Can there be any justification of these things?

Two arguments can be made. First, human excellence is most fully manifest in what we might call a morally mature person. This is a person who manifests all of the classical virtues, including courage, prudence, and justice. Now virtue, as such, cannot be compelled, though people can be compelled (that is, forced against their own judgment) to behave in the same way that a virtuous person would. Such behavior is not an expression of virtue. Virtue requires freedom to act in light of one's own judgment. Granted, certain types of self-expression are defective, but to prohibit them, and thus force people to behave as if they were virtuous, will not make them actually virtuous, since the element of judgment and choice is removed.

There are cases where we are justified in compelling people to behave as if they were virtuous. Parents do this to their children in the hope that the children will, by so acting, become virtuous. This is the moral equivalent of putting training wheels on a bicycle.

To treat an adult this way is to treat him as if he were not only without virtue but so defective in this regard that force rather than reason is required. Someone who is less than completely virtuous can be persuaded and shamed into behaving and may, given time, actually develop virtue. For example, someone who desires to produce a movie which plausibly presents his fantasies as if they were true, and in so doing dishonors the memory and reputation of a former president, might be dissuaded by means of reason or shame. Using such means is an acknowledgment of a capacity for virtue and is the best means of inculcating it. If because of irrationality or shamelessness, he persists, stronger measures might be called for. Such measures would be in place particularly if significant and foreseeable harm was caused.

The bottom line is that since moral maturity requires the freedom to act according to one's judgment, such freedom should be granted except in extreme cases. The authority of virtue is quite different from the authority of strength. Forcing someone to do or refrain from doing something tends to obscure the beauty of the same action when it is done from virtue. Because freedom, including freedom of speech, favors the development of virtue, it is valuable and ought to be preserved.

There is another persuasive argument that can be made in favor of freedom of speech. Though this is more of a cultural than a political argument, it is based on the vast difference between being moral and being a moralist. The morally mature person—the virtuous individual—seeks always to do that which is noble and praiseworthy. In doing so, he becomes the standard of moral excellence. The moralist is the person who, in lieu of noble and praiseworthy actions, seeks merely to condemn the base and shameful. The moral man only condemns vice insofar as virtue requires it, the moralist only acts virtuously (or seems to) in order to retain the right to condemn vice.

Toleration is an attitude that acts as a check against moralism. It should be noted that toleration is not the morally skeptical refusal to make judgments and to condemn certain types of behavior or speech. Rather, it is the recognition that such judgments should be made only when and to the extent that some good may come of them. Whereas a moralist takes pleasure in the mere con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

demnation of shameful behavior, a tolerant person finds such condemnation distasteful and can only make it palatable to himself if he can combine it with some noble action. The moralist is mean-spirited, the man of virtue is magnanimous. A tolerant culture is one which encourages the virtue of magnanimity or greatness of mind.

To Tolerate or Not?

It is not possible from one's armchair to say exactly what types of speech would be tolerated in such a culture, and it is probably not even possible to arrive at universal criteria for which types of speech should be tolerated. The types of sexually explicit material, for example, that ought to be tolerated in New York City are probably not the same as those that should be tolerated in Opelika, Alabama. The point is that whatever they are, such forms of speech would be *tolerated*, i.e., they would be put up with although they are acknowledged to be base or defective in some way. This toleration would not be based on the hidden, subjective value of what is tolerated, on some moral skepticism which relativizes all values, or on some right to express oneself. Instead, it would be based on the recognition that to use force to restrain such speech would be pointless or ineffective for inculcating virtue and would be out of proportion to the smallness of the act. It would be out of revulsion at the mean-spiritedness involved in such a use of force that it would be tolerated.

It seems then that freedom of speech is connected to human excellence in several ways. Politically, freedom of speech is useful for the protection of freedom to act in as much as it acts as a check against arbitrary power. As one type of freedom it can also aid in the development of virtue by opening up a sphere in which one can act according to one's judgment. Such freedom is necessary for virtue. It is culturally useful for the development of the arts and sciences, and, finally, because it requires toleration, it fosters greatness of soul. □

HAD ENOUGH?

Had enough of the liberal bias in the popular news media? Had enough of "donating" an increasing amount of what you earn to support inefficient, bloated social programs? Had enough of watching our culture degenerate before your eyes? Do you feel like a stranger in an increasingly strange land?

If you answered "yes" to any of the above questions, then you will be interested in a bold, intelligent new magazine, ***The Social Critic***. No, you won't find "Inside-the-Beltway" gossip in this magazine. What you *will* find is vital social and political commentary by great social critics such as William Watkins, Jr. of *The Freeman*, and Dr. Charles Baird, Director of The Smith Center for Private Enterprise Studies. ***The Social Critic***—a vital conservative resource now in bookstores across North America.

http://www.socialcritic.com

The Social Critic

Introductory Offer: 14% off the newsstand price.

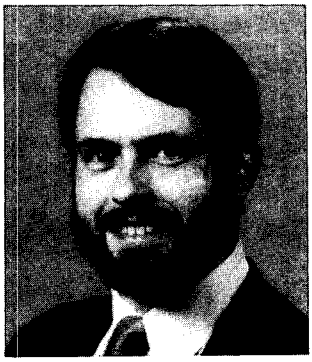
One-year (six issues) subscription: $18.00
Two-year subscription: $ 34.00 **(19% off the newsstand price)**

Please make check or money order payable to:
The Social Critic

Name_____
Address_____
City _____ State_____ Zip ____

Mail to: The Social Critic
31121 Mission Blvd., Suite 301
Hayward, CA 94544

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



In Service of a Boondoggle

Service has a long and venerable history in America. And so it continues today. Three-quarters of American households give to charity. An incredible 90 million adults volunteer, the value of their time approaches $200 billion.

However, some people have long desired to involve government. Eight decades ago William James wrote of the need for a "moral equivalent of war," in which all young men would be conscripted to work for the community. He argued that "the martial virtues, although originally gained by the race through war, are absolute and permanent human goods," and that national service would provide a method for instilling those same values in peacetime. Anachronistic though his vision may seem today, his rhetoric has become the touchstone for national service advocates. In succeeding decades a host of philosophers, policy analysts, and politicians proffered their own proposals for either voluntary or mandatory national service.

Some of these initiatives have been turned into law, most recently the National and Community Service Trust Act, which established the Corporation for National and Community Service. So far it has survived the supposed wave of budget-cutting in Washington.

Doug Bandow is a senior fellow at the Cato Institute and a nationally syndicated columnist. He is the author and editor of several books, including The Politics of Envy: Statism as Theology *(Transaction).*

Service is obviously a good thing, which is why so many people give time and money. The issue, however, is service to whom and organized by whom?

Americans have worked in their communities since the nation's founding and opportunities for similar kinds of service today abound. Much more could be done, of course. But what makes service in America so vital is that it is decentralized, privately organized, centered around perceived needs, and an outgrowth of people's sense of duty and compassion. Mandating service risks teaching that the duty of giving, and the job of organizing giving (deciding who is worthy to receive public grants and, indirectly, private groups' services) belongs to government rather than to average people throughout society. This is, in fact, the explicit goal of advocates of mandatory service programs, who would create a duty to the State rather than the supposed beneficiaries.

Some participants in service organizations share this fear. David King of the Ohio-West Virginia YMCA has warned: "The national service movement and the National Corporation are not about encouraging volunteering or community service. The national service movement is about institutionalizing federal funding for national and community service. It is about changing the language and understanding of service to eliminate the words 'volunteer' and 'community service' and in their place implant the idea that service

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is something paid for by the government."

A second problem is that government service programs treat "public" service as inherently better than private service. This bias is reflected in the fact that 2,800 of the first 20,000 AmeriCorps participants were assigned to federal agencies. For instance, the Department of the Interior used AmeriCorps workers to "update geological and hydrological information for the U.S. Geological Survey" and restore wetlands and wildlife habitat. However respectable such work, it is like any other government employment and is not likely to promote volunteerism around the country.

Equally important is the concern over whether taxpayers are likely to get their money's worth from the service provided. No doubt some good work has been done by AmeriCorps volunteers; it is hard for even the government to spend hundreds of millions of dollars without doing some good. But there is no guarantee that taxpayer-funded "service" will be worth its cost.

Even attractive-sounding jobs won't necessarily produce much social benefit. The Corporation and its supporters speak grandly of meeting current "unmet social needs." But as long as human wants are unlimited, the real number of unfilled social "needs," as well as unmet business "needs," is infinite. Labor, however, is not a free resource. Thus, it simply isn't worthwhile to satisfy most of these "unmet" needs. Trade-offs must be made, yet national service treats some jobs, especially public ones, as sacrosanct while ignoring other, disfavored tasks.

Of course, much worthwhile service work remains to be done across the country. But government often stands in the way of private individuals and groups who want to help. Minimum-wage laws effectively forbid the hiring of dedicated but unskilled people. Restrictions on paratransit operations limit private transportation for the disabled. Government regulations also harm other forms of volunteerism. Health department codes prevent restaurants in Los Angeles and elsewhere from donating food to the hungry, for instance. In short, many important needs are left unmet precisely because of perverse government policy.

To the extent that serious social problems remain, narrowly targeted responses will likely be the most effective. That is, it would be better to find a way to attract a few people to help care for the terminally ill than to lump that task in with teaching, changing light bulbs, administrative work, private fundraising, political organizing, and the multitude of other jobs now performed by tens of thousands of AmeriCorps employees. So far the program has had decidedly mixed results. Among the dubious successes and apparent flops: in California, English classes were canceled for lack of interest and a health-care fair was badly bungled; volunteers in one Florida program complained that they were used for publicity purposes; AmeriCorps members involved with the Georgia Peach Corps spent much of their time training, traveling, and playing computer games; participants in one Baltimore program provided condom education; Northeastern University won money for an initiative to promote athletics; the Green Corps devoted 55 participants to "training the next generation of environmental leaders"; and more.

Corporation personnel also may be more interested in working off a school debt than "serving." AmeriCorps members typically receive benefits of roughly $13,000—actually a bit higher in effect, since the educational voucher and other fringe benefits are not taxed. As a result, "service" is a better financial deal than many entry-level jobs. Some participants admit that they see national service as a financially remunerative job option, not a unique opportunity to help the community. Indeed, much of President Clinton's pitch during the 1992 campaign was framed in terms of naked self-interest: earning credit towards college tuition.

The Corporation has also politicized the notion of service. It funded the ACORN housing program, inextricably linked with ACORN, a partisan, left-wing organization. In Denver, the Cole Coalition forced AmeriCorps members to draft and distribute

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

political fliers. Federally funded "volunteers" were bused to an Earth Day rally in Havre de Grace, Maryland, last year. The Arizona Border Volunteer Corps used an AmeriCorps-funded newsletter to encourage its members to lobby for the program.

What we need instead of government-funded "service" is a renewed commitment to individual service. People, in community with one another, need to help meet the many serious social problems that beset us. There is a role for government: officials should commit themselves to a strategy of "first, do not harm." We need to eliminate public programs that discourage personal independence and self-responsibility, disrupt and destroy communities and families, and hinder the attempts of people and groups to respond to problems around them. But the private activism that follows needs neither oversight nor subsidy from Uncle Sam. America's strength is its combination of humanitarian impulses, private association, and diversity. We need service, not "national" service. □

The Price of Freedom

Freedom is a costly thing, and we cannot keep it unless we are willing to pay the price. It is required of each one of us that we firmly adhere to the processes of freedom, even when we can barely stand some of the products of freedom—the products being what people do when given their "druthers." The freer the society the more things people will do that we might find distasteful; this is one of the consequences of freedom, and we have to school ourselves to accept it. This we have learned to do in two important areas—freedom of the press and freedom of worship. We must learn to be equally tolerant in the areas of business, industry, and trade.

How fares the written word when the masses are relatively literate and free to pick their own reading material, where they themselves select the men and women who will do their writing for them? The highest paid writers may be those whose subliterary efforts jam the boob tube. The magazines and newspapers of largest circulation may be those which cater to our prurient interests. Best-selling novels are forgotten by next year. But as much as anyone might deplore the decline of reading and the low estate of publishing—now that the press is free—no one with any sense would wish to add a Department of Censorship to the already overgrown government bureaucracy. To put the press under a Ministry of Information and Propaganda would be disastrous. Freedom of the press may give every idiocy a voice; authors may not reap a monetary reward commensurate with their literary talents; so be it, we say; it's the price we pay willingly for freedom of the press. Freedom merely allows the budding genius the elbow room he needs to live, and breathe, and write. And books of solid scholarly competence still appear regularly for the small audience which needs the nourishment only the word can provide.

My mind goes back to an observation of Ralph Waldo Emerson: "There are not in the world at any one time more than a dozen persons who read and understand Plato:—never enough to pay for an edition of his works; yet to every generation those [works] come duly down, for the sake of those few persons."

—EDMUND A. OPITZ

Excerpted from "Ethics and Business," The Freeman, *March 1993.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

The Entrepreneur as a Defender of Liberty

by Felix R. Livingston

Entrepreneurs have the unparalleled ability to satisfy our material wants and needs. To seek and win customer approval on a daily basis, market competitors must continually offer improved quality and lower prices.

Our well-being is also profoundly affected by another entrepreneurial function that is less understood. It is a task that echoes the feats of self-assertion of barons, landed gentry, and others in centuries past who defended their private rights against encroachments by kings, emperors, monarchs, and parliaments. Such actions were frequently associated with the expansion of freedom. Similarly, it is the entrepreneur's dogged pursuit of private interests in a competitive environment that can create new industries and engender a greater liberty.

Many developments in the political life of the eighteenth century reflected John Locke's proscriptions for limiting power.[1] Guided by the wisdom of Locke and other philosophers, including David Hume, James Harrington, Montesquieu, and Adam Smith,[2] America's Founders created peaceful, constitutional methods for defending life, liberty, and property.[3] When Chief Justice John Marshall successfully instituted a procedure in 1803 by which legislative measures believed unconstitutional can be overthrown, entrepreneurs gained the right to challenge confiscatory statutes in court.[4]

Entrepreneurs have defended their property using several constitutional provisions including the "contract clause" of Article 1, Section 10, and the "due process" and "takings" clauses of the Fifth and Fourteenth Amendments. During the first three decades of the nineteenth century, entrepreneurs made substantial use of the "contract clause," which forbids states from enacting any law "impairing the obligation of contracts." Constitutional rulings under the "contract clause" prevented states from breaching their contracts with individuals, from repealing corporate charters, and from nullifying certain tax exemptions extended to prior owners of property.[5] The importance of the "contract clause" in the defense of property diminished when states discovered they could get around it by adding their own clauses to legislation reserving powers to repeal or modify statutes.

The next constitutional provision to gain ascendancy in the defense of property was the "due process clause" of the Fifth Amendment. Inherited from the Magna Carta and ratified in 1791 as part of the Bill of Rights, it declares that "no person shall . . . be deprived of life, liberty, or property, without due process of law." Initially ap-

Dr. Livingston is vice president and director of Freeman *Services at The Foundation for Economic Education.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

plicable to federal legislation, its scope was broadened to encompass state legislation with adoption of the Fourteenth Amendment in 1868. By the end of the nineteenth century, entrepreneurs were using this clause to curb regulation that restrained economic activity.[6] The Court would evaluate a challenged law by comparing its effects to a legislature's intent. The Court would overturn a statute if it was considered excessively harsh or unrelated to the legislature's stated purpose. This interpretation of "due process" resulted in nullification of many state regulations from the late 1800s to the middle 1930s with the written opinions of Justices staunchly supporting economic liberty and individual freedom.[7]

During much of President Franklin Roosevelt's first term, the Court used the "due process clause" as justification for striking down New Deal legislation. But the court began to slip away from its mooring. When it abandoned the "due process" protection of property in 1936, a regulatory leviathan began to grow. For the next half-century, entrepreneurs were consistently defeated in Court decisions that applied a double standard of constitutional review. While the Court accorded substantial protection to nonmaterial civil or human rights, it simultaneously ignored the material rights of private property.[8]

When "due process" protection of economic rights was lost, America became vulnerable to the confiscatory acts of public officials. Corporations must now spend more than four times as much for compliance costs as they pay in taxes.[9] The unabated growth of regulation will continue to weaken property rights until there is nothing left but a title to ownership and an obligation to pay taxes.

To destroy the Trojan horse of tyranny, a battle for economic rights must be waged on many fronts. Entrepreneurs must fight these officials and other regulators in the courts, through public discourse, and at the ballot box. Strategies to strengthen property rights include requiring government to compensate property owners for regulatory "takings,"[10] reform of legal liability laws,[11] and forcing public authorities to compare a proposed regulation's costs and benefits.[12]

Defending Property Rights

Recent Court interpretations of the "takings clause" of the Fifth and Fourteenth Amendments have offered hope to entrepreneurs in their defense of property. This clause, declaring "nor shall private property be taken for public use, without just compensation," was applied for the first time to a regulatory "taking" in 1992.[13] In *Lucas v. South Carolina Coastal Council*, the state was forced to pay a contractor for a "taking" after regulation had effectively reduced his property value to zero. In a more recent case, the High Court ruled in favor of an entrepreneur who had resisted the confiscatory actions of a town that would only give her a license to expand her business if she forfeited ten percent of her property for public use. In a ruling that strengthened property rights and untied the hands of entrepreneurs, Chief Justice Rehnquist wrote: "We can see no reason why the Takings Clause of the Fifth Amendment, as much a part of the Bill of Rights as the First Amendment or the Fourth Amendment, should be relegated to the status of a poor relation."[14] Because of these rulings, the "takings clause" is now the entrepreneur's most important constitutional means of defending property.

A principled defense of property rights requires the intellectual virtue of knowledge about liberty's "first principles." It also demands the moral virtue of courage. If the genius of markets is that entrepreneurs are not required to possess much information beyond factors directly affecting their products or services,[15] then absence of knowledge about economics as a science of human action poses no immediate threat to profitability. Such ignorance, however, makes sustained action advancing liberty impossible because of unavoidable missteps in the wilderness of political permutations. For example, when entrepreneurs seek preferences they expect that advantages gained as producers will outweigh their consumers'

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"The unabated growth of regulation will continue to weaken property rights until there is nothing left but a title to ownership and an obligation to pay taxes. To destroy the Trojan horse of tyranny, a battle for economic rights must be fought on many fronts."

losses. They are oblivious to the long-run consequences of their acts; consumer losses will equal or exceed producer gains and the standard of living and productivity will fall precipitously.[16]

Ignorance also leads entrepreneurs to sometimes assert that their privileges are compatible with the public good.[17] Nothing could be further from the truth. Privilege-seeking flies in the face of ethical behavior, blurs the distinction between justice and injustice, and fosters widespread legal theft.[18] Plundered groups gaining political ascendancy seek reprisal resulting in an abrogation of the "rule of law" and universal plunder.

The majority of people in a democracy cannot or will not think through the problems of private property and liberty. It is particularly important that business leaders who possess the means of challenging political authority understand the "first principles" of freedom and use this knowledge to light the path toward a principled defense of their property.

A second virtue required by the defenders of property is that of courage. In ancient civilizations, courage was honored when nobles and aristocrats followed rules that tended to preserve the society in which they lived.[19] For example, military valor was the primary means by which the medieval nobility could earn honor. This was a natural consequence of an aristocracy that owed its very existence to war. In Rome, courage was so highly valued that the word virtue, in Latin, came to mean courage.[20] This reflected the requirements of a nation bent on conquering the world.

Resisting privilege and fighting the encroachments of government in a constitutional democracy requires courage and sacrifice and deserves to be honored. Those who challenge political authority run the risk of being labeled antisocial in an age when legislative acts are believed to be reflections of the people's will. Similarly, resisting preferential legislation that others unabashedly pursue may result in lower revenues. And the costs of defending property in the courts and in the legislative arena may be high. It is honorable for entrepreneurs to defend their economic rights against an acquisitive political authority because these acts satisfy requirements of the free society. It is dishonorable to seek

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

preferences and privilege because doing so undermines social cooperation and facilitates the movement toward unlimited democracy. Freedom does not require entrepreneurs to be altruistic. It does demand that in the pursuit of profit they prevent a separation of the honorable and the useful. So it has always been: Cicero considered this to be the main problem of ethics.[21]

Threats to liberty are ever present as utopian dreamers advocate state coercion to carry out their notions of the good, misguided citizens clamor for government to solve the so-called "problems" of the hour, and individuals seek preferential legislation at the expense of others. We must learn to recognize the fallacies of statist policies and understand the courageous role of the entrepreneur in promoting and extending liberty.[22] As Mises reminded us: "The struggle for freedom . . . is not the struggle of the many against the few but of minorities—sometimes of a minority of but one man—against the majority."[23] □

1. Bertrand de Jouvenel, *On Power: The Natural History of Its Growth*, Liberty Press Edition (Indianapolis: Liberty Fund Inc., 1993), p. 316.

2. The Framers continually quoted or paraphrased these philosophers in their correspondence and at the Constitutional Convention. Forrest McDonald, *Novus Ordo Seclorum* (Lawrence, Kan.: University Press of Kansas, 1985), p. 7.

3. Ludwig von Mises considered peaceful changes made possible by constitutional democracies as this form of government's "main excellence and worth." Ludwig von Mises, *Theory and History: An Interpretation of Social and Economic Evolution* (Auburn, Ala.: The Ludwig von Mises Institute, 1985), p. 372.

4. In *Marbury v. Madison*, 1 Cranch 137, 163 (1803), Justice Marshall wrote "The very essence of civil liberty certainly consists in the right of every individual to claim the protection of the laws, whenever he receives an injury."

5. James W. Ely, Jr., *The Guardian of Every Other Right: A Constitutional History of Property Rights* (New York: Oxford University Press, 1992), pp. 62–68.

6. *Ibid.*, pp. 87–100.

7. Bernard H. Siegan, *Economic Liberties and the Constitution* (Chicago: University of Chicago Press, 1980), pp. 110–155.

8. *Ibid.*, pp. 184–246.

9. *Clichés of Politics*, ed. Mark Spangler (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc., 1994), p. 2.

10. The argument that regulation is a partial confiscation of property may be found in Richard A. Epstein, *Takings: Private Property and the Power of Eminent Domain* (Cambridge: Harvard University Press, 1985), pp. 93–104.

11. For example, "retroactive, strict, joint and several liability" gives the Environmental Protection Agency authority to make a company pay for violating a standard that may have been adopted after it departed from a site. A single company with "deep pockets" can be forced to fund an entire cleanup even though its contribution to pollution on the site was marginal. This is why a third of the $30 billion spent on 200 Superfund sites has been for litigation expenses with each site taking an average of twelve years to clean up. James M. Strock, "Wizards of Ooze," *Policy Review* (Winter 1994), p. 42.

12. This measure would presumably disqualify regulations such as the Occupational Safety and Health Administration standard for Benzene that costs $23 million per life saved and the Arsenic standard costing $24 million. John Hood, "OSHA's Trivial Pursuit," *Policy Review* 73 (Summer 1995), p. 60.

13. *Lucas v. South Carolina Coastal Council*, 112 U.S. 2886 (1992).

14. *Dolan v. City of Tigard*, 129 L Ed 2d 304, (U.S. 1994).

15. See Friedrich A. Hayek, "The Price System as a Mechanism for using Knowledge," *American Economic Review* 35 (September 1945).

16. Mises, pp. 32–33.

17. Assertions of fairness and justice may also represent a conscious attempt to deceive the public. The outcome of preference seeking is the same whether or not the entrepreneur is sincere in his public declarations.

18. Seeking preferences and privilege necessarily violates a principle of ethics expressed by Immanual Kant thusly: "Act in conformity with that maxim and that maxim only which you can at the same time will to be universal law."

19. For a discussion of courage and honor see Alexis de Tocqueville, *Democracy in America*, ed. J. P. Mayer, trans. George Lawrence (Garden City, N.Y.: Anchor Books Edition of Doubleday & Company, Inc., 1969), pp. 616–627.

20. See the life of Coriolanus in Plutarch, *Plutarch's Lives of the Noble Grecians and Romans*, vol. 1, ed. A. H. Clough, trans. John Dryden (New York: Modern Library Edition, 1992), p. 291.

21. See Cicero, *On Duties*, eds. M. T. Griffin and E. M. Atkins (New York: Cambridge University Press, 1991).

22. "It is as true today as it was ten thousand years ago that a Power from which the magic virtue has gone out, falls." Jouvenel, p. 87.

23. Mises, pp. 66–67.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
IDEAS ON LIBERTY

Charles James Fox, Valiant Voice for Liberty

by Jim Powell

Wartime provides the toughest test for a defender of liberty. That's when governments everywhere tend to censor, jail, and even execute opponents. Charles James Fox became a legend for defending liberty during not one but two major wars. Uniquely among great British political figures, he spent almost his entire Parliamentary career—38 years—in the Opposition.

"It was the task of Mr. Fox," noted John Russell, one of his ideological successors, "to vindicate, with partial success, but with brilliant ability, the cause of freedom and the interests of mankind. He resisted the mad perseverance of Lord North in the project of subduing America. He opposed the war undertaken by Mr. Pitt against France, as unnecessary and unjust. He proved himself at all times the friend of religious liberty, and endeavoured to free both the Protestant and Roman Catholic dissenter from disabilities on account of their religious faith. He denounced the slave trade. He supported at all times a reform of the House of Commons."

Thomas Babington Macaulay, the eloquent English historian, referred to Fox as "the great man whose mighty efforts in the cause of peace, of truth, and of liberty, have made that name immortal." Macaulay called Fox quite simply "the greatest parliamentary defender of civil and religious liberty."

Fox gained influence, in part, because he made friends easily. He was cheerful, affectionate, generous, and kind. "I have passed two evenings with him," wrote Tory wit George Selwyn, "and never was anybody so agreeable, and the more so from his having no pretensions to it." Edward Gibbon, famed chronicler of ancient Rome's decline, remarked about Fox: "Perhaps no human being was ever more perfectly exempt from the taint of malevolence, vanity, or falsehood."

More than most men of his time, Fox was generous toward women. As biographer George Otto Trevelyan explained, "His notion of true gallantry was to treat women as beings who stood on the same intellectual tableland as himself; to give them the very best of his thoughts and his knowledge, as well as of his humour and his eloquence; to invite, and weigh, their advice in seasons of difficulty; and if ever they urged him to steps which his judgment or his conscience disapproved, not to elude them with half-contemptuous banter, but to convince them by plain-spoken and serious remonstrance. . . . There have been few better husbands than Fox, and probably none so delightful; for no man ever devoted such power of pleasing to the single end of making a wife happy."

Mr. Powell is editor of Laissez Faire Books and a senior fellow at the Cato Institute. He has written for the New York Times, *the* Wall Street Journal, Barron's, American Heritage, *and more than three dozen other publications.* *Copyright © 1996 by Jim Powell.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

If it weren't for his dissolute ways, Fox might well have headed a ministry and had more direct influence on events rather than spend so many years in the Opposition. During his early manhood, Fox drank to excess, and reportedly even pawned his gold watch for a beer. He managed, though, to stay sober enough for gambling. He became a skilled handicapper at the race tracks. The problem was he lost even more money at cards. He borrowed money from friends and from Jewish moneylenders. His losses exceeded £140,000, an astounding sum. At one point, creditors seized his furniture.

Fox made costly political mistakes, too. His worst was in February 1783 when he formed a coalition with Frederick North, King George III's docile Prime Minister and front man during the American Revolution, whom Fox had long denounced in the harshest terms. Fox joined North because the alternative at the time was a coalition with a man he opposed even more, but the move thoroughly undermined his credibility. A little later, Fox undermined his standing as a advocate of frugal government when he agreed to a proposal that Parliament grant the Prince of Wales a £100,000 annual allowance.

A Frenchman asked William Pitt the Younger how his rival Fox could have achieved such influence despite all the mistakes. "You have not been under the wand of the magician," Pitt replied.

Fox was among the most famous—and frequently caricatured—English faces of his generation. "It was impossible to contemplate the lineaments of his countenance," recalled one observer, "without instantly perceiving the marks of genius. His features in themselves dark, harsh and saturnine . . . derived a sort of majesty from the addition of two black and shaggy eyebrows which sometimes concealed but more frequently developed the workings of his mind. Even these features, however, did not readily assume the expressions of anger or enmity. They frequently and naturally relaxed into a smile, the effect of which became irresistible because it appeared to be the index of a benevolent and complacent disposition. His figure, broad, heavy and inclined to corpulence, appeared destitute of elegance or grace, except the portion conferred on it by the emanations of intellect, which at times diffused over his whole person, when he was speaking, the most impassionated animation."

It's hard to believe every superlative showered on Fox, but they surely suggest that he had a remarkable ability to touch people's hearts. Henry Brougham, who joined Fox's crusade against slavery, considered him "if not the greatest orator, certainly the most accomplished debater, that ever appeared upon the theatre of public affairs in any age of the world." And Macaulay gushed that Fox was "the most brilliant and powerful debater who ever lived."

Early Years

Charles James Fox was born at 9 Conduit Street, Westminster, London, January 24, 1749. He was the third son of courageous and corrupt Henry Fox, who enriched himself as Paymaster-General during an expensive war, quite possibly the most lucrative post in the British government. Charles's mother was an aristocrat, Georgiana Caroline Lennox. Because her parents objected to her marrying Henry, a commoner, the young couple eloped and scandalized everybody.

Education started with three years of tutoring at home, which was called Holland House. After that, he was off to the Wadsworth School for a year, and he opted for prestigious Eton in June 1758. Meanwhile, his indulgent father had taken him to Paris for experience with ladies and gaming tables.

Fox entered Hertford College, Oxford, in October 1764. During his two years there, he acquired a love of reading classic literature which was to refresh him till his dying days. After Oxford, Fox spent two years traveling through Europe. On the way back, he stopped in Geneva to visit Voltaire, who recommended some books.

Concerned about his son's directionless

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

drifting, Henry Fox arranged for him to get elected a Member of Parliament from Midhurst, one of many "pocket boroughs" controlled by a few aristocrats—Parliament was very much an exclusive club with 558 members intent on protecting their privileges. Charles took his seat November 1768.

For a while, Fox echoed his father's establishment line, defending Parliamentary prerogatives. The most stubborn challenger was the witty, wild printer John Wilkes, who relentlessly criticized the government. Middlesex voters elected Wilkes to Parliament four times in the 1760s, and four times Parliament refused to seat him. "Wilkes and Liberty" became the rallying cry of people who had no voice in government. Fox urged Parliament to disregard the "the imaginary infallibility of the people" and keep Wilkes out.

Because of his speaking skills, Fox briefly held a minor post in Lord North's ministry, but he soon proved too much of a maverick and was dismissed in 1774. He turned for excitement to his favorite bars and casinos. For instance, recalled his contemporary Horace Walpole, "He had sat up playing hazard at Almack's from Tuesday evening, the 4th, till five in the Afternoon of Wednesday the 5th. An hour before, he had recovered £12,000 that he had lost, and by dinner, which was at 5 o'clock, he had ended losing £11,000. On the Thursday he spoke in this debate; went to dinner at past 11 at night; from thence to White's where he drank till seven the next morning; thence to Almack's, where he won £6,000; and between three and four in the afternoon he set off for Newmarket [race track]."

Family Woes

Fox began maturing with the shocks of family tragedies. In July 1774, his father died after having paid more than £100,000 of Charles's gambling debts. He showed some remorse as he wrote his mother: "That my extreme imprudence and dissipation has given both of you uneasiness is what I have long known . . . to flatter myself that, particularly with you, and in a great degree with my father, I had regained that sort of confidence which was once the greatest pride of my life." By the end of July, his mother was dead. His older brother Stephen died in November. Charles was left with a £900 annual income and a £20,000 inheritance, which he soon lost at the gaming tables.

Fox resolved to buck the establishment, especially because George III was attempting to reassert the supremacy of the throne. Whig aristocrats had dominated Parliament and the British government since the Revolution of 1688, serving as a watchdog against a possible takeover by the Catholic Stuart dynasty, based in sullen Scotland. But the last Stuart uprising had been crushed in 1745. Whig aristocrats had lost their calling and become corrupt long before George III was crowned king at age 22 in 1760. The florid, slow-witted king was determined to take the power of appointing ministers away from Parliament and to make them his personal agents.

Resisting both George III and the patronage-driven Whigs, Fox sought to revive the original Whig principles of 1688. This made him a compatriot of reformer Charles Wentworth, Lord Rockingham.

Fox was inspired by Lord Rockingham's Dublin-born private secretary, Edmund Burke, two decades his senior. Burke's father was a Protestant attorney, his mother was Catholic, and his most unforgettable teacher was a Quaker. Burke wasn't a great orator—indeed, his speeches, which were sometimes three hours long, emptied the seats in Parliament. But Burke had acquired deep knowledge of history which gave him valuable perspective, and he developed a passionate pen. He urged religious toleration for Irish Catholics. He supported freer trade. He favored ending the secrecy of Parliamentary proceedings. He expressed his outrage when a mob murdered two men convicted of homosexual contact. He defended the right of Middlesex voters to choose their representative, radical John Wilkes.

Then came the epic debate about how to pay off the £70 million of debts from the Seven Years War (1756–1763). The purpose

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of this war had been to defend the American colonies from the French, but the colonists—there were about two million at the time—saw proposed taxes as tribute to the British Empire whose major feature was the aggravating mercantilist system in which British merchants reserved the colonies as their exclusive territory. If somebody in Rhode Island wanted to buy hats from Virginia, they had to go through British merchants. The result of such restrictions, naturally, was widespread smuggling. In addition, each of the colonies had their own elected assemblies and didn't accept the supremacy of Parliament over their affairs.

Burke opposed schemes to tax the American colonists because he believed proposed taxes were unjust, they would yield little revenue, and trigger rebellion. After the schemes were enacted, Burke called for repeal. Chancellor of the Exchequer George Grenville's Stamp Duty (1765)—some 50 taxes on newspapers and legal documents—had provoked such a storm of protest that it was repealed in a year. Then in 1767 came Chancellor of the Exchequer Charles Townshend's taxes on tea and other articles, provoking the "Boston Tea Party," which led to the British blockade of Boston, opposed by Burke.

Fox worked to become the most powerful orator and debater in the House of Commons. He refined his skills by speaking at least once every day. He rejected the traditional style of speaking with flowery metaphors, extensive quotations, and allusions to ancient Greece and Rome—a style practiced by William Pitt, who had been an influential Member of Parliament for three decades. Fox never gave a set speech. He was spontaneous, passionate, and direct. He built a case with dramatic facts and established an emotional connection with his audience.

Again and again, Fox hammered the ministry of Lord North. In 1775, Fox denounced the suspension of Habeas Corpus, a bulwark of civil liberties. On February 2, 1777, he warned that Britain would lose the war and that sending over more troops could leave Britain defenseless against France. Two years later, French and Spanish fleets cruised menacingly through the English Channel. After the British surrender at Yorktown, Fox insisted that recognition of American independence must be given unconditionally, not made a price of peace.

A Formidable Foe

George III viewed Fox as perhaps his most dangerous adversary, saying he had "cast off every principle of common honour and honesty . . . as contemptible as he is odious . . . aversion to all restraints." Literary lion Samuel Johnson wondered "whether the nation should be ruled by the sceptre of George III or the tongue of Fox."

Dressed in a blue frock-coat and a yellow waistcoat—colors later adopted by the Whig party as well as the Whig journal *Edinburgh Review*—Fox championed liberal reform during the 1780s. For example, he advocated complete religious toleration. This meant expanding the Toleration Act (1689), which required that to legally serve as a clergyman a religious Dissenter must acknowledge the divinity of Christ—a measure specifically aimed at Unitarians. Fox also favored abolishing religious tests to exclude Dissenters from political office.

Although Fox seemed to embrace the Church of England, he opposed using coercion to support it. As he declared in 1787: "It was an irreverent and impious opinion to maintain, that the church must depend for support as an engine or ally of the state, and not on the evidence of its doctrines, to be found by searching the scriptures, and the moral effects which it produced on the minds of those whom it was the duty to instruct."

Fox supported the campaign of fellow Member William Wilberforce to abolish the slave trade. Fox opposed proposals that it be continued under government regulation. According to one summary of the debate in Parliament, May 1789: "he knew of no such thing as a regulation of robbery or a restriction of murder. There was no medium; the legislature must either abolish the trade or avow their own criminality." But for the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

moment, proposals to abolish the slave trade went nowhere.

Fox's leading adversary was Prime Minister William Pitt the Younger who served as Prime Minister from 1784 to 1802. Loyal to the king, Pitt displayed more integrity than most politicians, declining easy opportunities to enrich himself in government. He was self-disciplined, utterly devoted to his work, stiffly formal, cool amidst a crisis, and he seldom forgot past grudges, including differences with Fox about candidates for a ministry. During the 1780s, Pitt had favored reducing tariffs, taxes, and the armed forces. Fox was generally more uncompromising in the defense of liberty, and they moved poles apart later when Britain and France were at war.

The two men presented a dramatic contrast as they debated in the House of Commons. "Fox, with his harsh, thrilling voice and rapid delivery," reported biographer Edward Lascelles, "poured out his arguments in an impetuous torrent of urgency, while Pitt presented his case with faultless precision and complete self-possession." As an observer recalled: "Mr. Pitt conceives his sentences before he utters them. Mr. Fox throws himself into the middle of his, and leaves it to God Almighty to get him out again."

Meanwhile, Fox had fallen in love with a tall, elegant woman two years younger than he. She called herself "Mrs. Armistead," although there seems never to have been a Mr. Armistead. She was reportedly linked to a "notorious establishment" in London and later became the mistress of a duke. During the early 1770s, she and Fox settled down to contented domesticity. They were secretly married on September 28, 1795, and she signed the register as "Elizabeth B. Cane." They lived on her 30-acre spread called St. Anne's Hill, just south of the Thames River in Surrey.

The French Revolution

Political constellations began to move after July 14, 1789, when angry mobs stormed the Bastille, the beginning of the French Revolution. In January 1790, Burke rose in the House of Commons to launch his first salvos against "the excesses of an irrational, unprincipled, proscribing, confiscating, plundering, ferocious, bloody, and tyrannical democracy." He denounced the Declaration of the Rights of Man and the Citizen as a "digest of anarchy." Fox responded discreetly, hoping to avoid a painful break with Burke. Fox affirmed that he had "learnt more from his right honourable friend than from all the men with whom he had ever conversed." He went on to emphasize he was "the enemy of all absolute forms of government, whether an absolute monarchy, an absolute aristocracy, or an absolute democracy." Burke welcomed these conciliatory words, but some of Fox's allies like Robert Brinsley Sheridan weren't as tactful, and they split from Burke.

Fox continued promoting liberty, but Burke resisted any change. Fox was for reforming Parliament; Burke was against. Fox revived a proposal to end the requirement that candidates for political office swear allegiance to the Church of England; Burke was against—many Protestant Dissenters were "men of factious and dangerous principles," he explained.

Fox held his tongue because he knew Burke was at work on a potentially explosive pamphlet. Published in November 1790 as *Reflections on the Revolution in France*, it denounced the "swinish multitude." Burke declared that before the Revolution France "had the elements of a constitution very nearly as good as could be wished," and he added that Parliament, rife with "pocket boroughs," had proven "perfectly adequate to all the purposes for which a representation of the people can be desired or devised."

Fox versus Burke

Burke began beating the drums for Britain to declare war against France and stop the contagion of revolution. At first, few Englishmen were interested, although Prime Minister Pitt was contemplating war to stop Russia from expanding in Turkey. In 1791,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Fox exclaimed that the new French Constitution, in which staunch defenders of liberty like the Marquis de Lafayette and the Marquis de Condorcet had a hand, was "the most stupendous and glorious edifice of liberty which has been erected on the foundation of human integrity in any time or country." Burke launched into a fresh attack on the French Declaration of the Rights of Man and the Citizen, on the Jacobins, and on the way the French treated their king.

Burke complained that Fox "had ripped up the whole course and tenour of his private and public life, with a considerable degree of asperity." Fox whispered across to Burke that he still cherished their friendship, and Burke responded by telling Parliament that "their friendship was over." Fox was in tears, shocked that Burke would suddenly and publicly renounce their friendship, which had endured for a quarter-century. Fox expressed regret at his own "rash and imprudent words," and he offered to "keep out of his right honourable friend's way." Burke bored on, saying he "sincerely hoped that no member of that House would ever barter the Constitution of this country, that eternal jewel of his soul, for a wild and visionary system which could only lead to confusion and disorder." Fox attempted a reconciliation when Burke lay dying in July 1797, but Burke had his wife turn him away.

Fox continued to fight for liberty. He had long been concerned about freedom of speech, especially restrictions imposed by libel law. The burden of proof was on the defendant. Judges, not juries, had the power to decide whether a libel had occurred, and since judges were connected with government and the established church, they generally considered attacks on either to be libelous. As Chief Justice John Holt had remarked, "it is very necessary that the people should have a good opinion of it [government]."

Fox believed the burden of proof should be on government, so he wanted to make it more difficult to win a conviction for libel. Accordingly, in May 1791, he introduced his libel bill, which would give juries the power to decide not only the facts about whether something had been published but also whether a libel had occurred. The bill provided that "the jury sworn to try the issue may give a general verdict of guilty or not guilty upon the whole matter." Asked for their opinions soon after the bill was introduced, judges were unanimously opposed, and perhaps their vehemence led Parliament to reaffirm traditional confidence in juries, even amidst hysteria about the French Revolution.

Fox's libel bill sailed through the House of Commons but opponents stopped it in the House of Lords. The bill was reconsidered there, passed and signed by the king sometime after June 1, 1792. Determined to silence dissidents, the government filed more libel cases in the two years following passage of Fox's libel bill than had been filed during the entire eighteenth century. Juries saved many defendants from the gallows or banishment to Australia.

Fox's generous hopes for France came crashing down as the Revolution turned into tyranny. By September 1792, the French central government was controlled by the Convention, an assembly which operated without effective checks or balances. Its Jacobin leaders ignited war by offering to help people throughout Europe who shared their revolutionary aspirations. By late 1792, French soldiers occupied Belgium (then known as the Austrian Netherlands), Savoy (ruled by the king of Sardinia, an Austrian ally), plus a number of German cities along the Rhine. Prime Minister Pitt objected to French expansion and explored an alliance with Austria and Prussia, which brought war with France on February 1, 1793. War accelerated the trend toward unlimited centralization in France, climaxing with the Reign of Terror that killed an estimated 40,000 people.

Despite Burke's dire warnings, there wasn't much evidence of revolutionary unrest in Britain, but war hysteria led Pitt to make a major assault on civil liberties. In 1794, Parliament passed the Act Suspending Habeas Corpus, empowering "his majesty to secure and detain such persons as his

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

majesty shall suspect are conspiring against his person and government." The next year, Parliament passed the Treasonable and Seditious Practices Act which, among other things made it unlawful to "declare any words or sentences to excite or stir up the people to hatred or contempt to the person of his majesty, his heirs, or successors, or the government. . . ." Finally, Parliament passed the Seditious Assemblies Act which effectively banned meetings of more than 50 people who wanted to petition the government "for alteration of matters established in church or state, or for the purpose or on the pretext of deliberating upon any grievance in church or state." Fox led the opposition to these measures every step of the way.

Supposedly to protect Britain against oppression from abroad, the government pursued oppression at home. It shut down publications and prosecuted editors considered a threat to the nation. The government harassed Nonconformist Protestant preachers. It imprisoned suspected traitors like shoemaker Thomas Hardy, a founder of the radical Corresponding Society. Police looked the other way as mobs assaulted people suspected of favoring republican ideas—in Birmingham, for instance, mobs burned every house belonging to a known Nonconformist.

Fox continued to defend free speech in Parliament. "To deny to the people the right of discussion," he was reported as saying in one debate, "because upon some occasions that right had been exercised by indiscreet or bad men, was what he could not subscribe to. The right of popular discussion was a salutary and an essential privilege of the subject . . . the best security for the due maintenance of the constitution was in the strict and incessant vigilance of the people over parliament itself. Meetings of the people, therefore, for the discussion of public objects were not merely legal, but laudable." The proper policy, Fox declared, was less government intervention, not more.

By May 1797, an overwhelming majority had lined up behind Pitt's war policies. Fox's supporters in Parliament had dwindled to about 25, compared with about 55 in 1794 and 90 during the 1780s. Fox stopped going to Parliament, but he looked back with pride. "It is a great comfort to me to reflect how steadily I have opposed this war, for the miseries it seems likely to produce are without end."

He spent his time mainly at St. Anne's Hill, reading and gardening. "In summer," recalled his secretary John Trotter, "he rose between six and seven; in winter before eight. . . . After breakfast, which took place between eight and nine in summer, and at a little after nine in winter, he usually read some Italian author with Mrs. Fox, and then spent the time preceding dinner at his literary studies, in which the great poets bore a principal part. A frugal and plentiful dinner took place at three, or half-past two, in summer, and at four, in winter; and a few glasses of wine were followed by coffee. The evening was dedicated to walking and conversation till tea-time, when reading aloud, in history, commenced, and continued till near ten. A light supper of fruit, pastry, or something very trifling, finished the day; and at half-past ten the family were gone to rest. . . ."

Fox returned to Parliament long enough for a final blaze of glory. After the death of William Pitt on January 23, 1806, Fox stood as the leading political figure of the era, and he could no longer be excluded from a ministry. He accepted the post of Secretary of State. Working with Wilberforce and others, Fox developed a strategy to overcome years of delaying abolition of the slave trade.

First, a neutral Member introduced a bill that would make it illegal for a British citizen to trade in slaves under a foreign flag or to fit a foreign slave ship in a British port. Enacted in the spring of 1806, this measure had the potential of wiping out three-quarters of the British slave trade.

Second, Fox sought a parliamentary commitment for total abolition. On June 10, 1806, he offered his resolution: "this House, conceiving the African slave trade to be contrary to the principles of justice, humanity, and sound policy, will, with all practi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

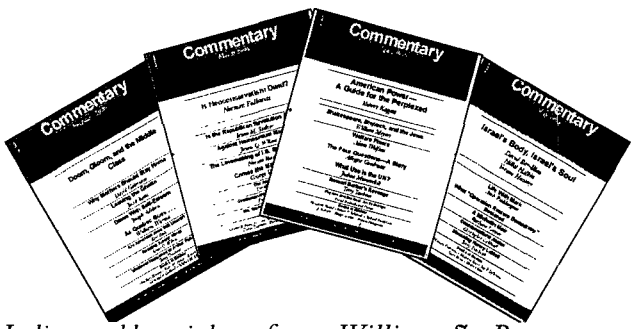
cable expedition, proceed to take effectual measures for abolishing the said trade. . . ." The House of Commons voted 114 to 15 in favor. The House of Lords assented on June 25. "If, during the almost forty years that I have now had the honour of a seat in Parliament," Fox remarked, "I had been so fortunate as to accomplish that, and that only, I should think I had done enough, and could retire from public life with comfort, and conscious satisfaction, that I had done my duty."

The next step would have been to introduce an abolition bill, but Fox's health deteriorated during the summer of 1806, and others had to carry on. His arms and legs swelled up, and he suffered chronic exhaustion. He was persuaded to let doctors do a couple of painful "taps," presumably efforts to drain the excess fluids. For days, at St. Anne's Hill, he lay listlessly in a lounge chair as his wife read aloud from Virgil, John Dryden, Jonathan Swift, and other favorite authors. Well-wishers gathered outside in the street, awaiting the latest news. On September 13, 1806, he got out a few puzzling words, "It don't signify, my dearest, dearest Liz." He died about 40 minutes after five that afternoon. He was buried October 10 next to William Pitt in Westminster Abbey.

As the valiant voice of the Opposition nearly all his career, Fox saw few of his dreams come true, yet he struck mighty blows for liberty. He kept the spirit of liberty alive when government was determined to crush it. He won some important victories. He inspired the Whig and Liberal parties, which did much to make the nineteenth century the most peaceful period in human history. He affirmed that people who stubbornly speak out can be free. □

Can't do without Commentary

"You can save time subscribing to Commentary or you can waste time catching up with it."
—George Will



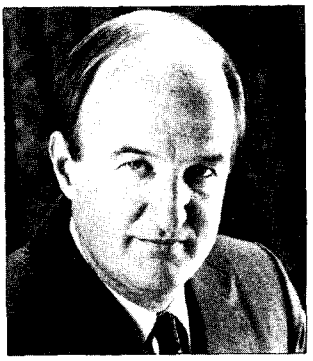
Indispensable wisdom from William J. Bennett on America's morals, Norman Podhoretz on the Arab-Israeli peace process, Robert Kagan on American power abroad, David Gelernter on working mothers, Irwin M. Stelzer on the Republican revolution, and more.

Subscribe today!!

Call: 1 (800) 829-6270

Or write to us at 165 East 56th Street, New York, NY 10022

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



New Keynesians Finally Reject Keynes's "General" Theory

"When people attempt to save more, the actual result may be only a lower level of output . . ."

—Paul A. Samuelson[1]

"Higher saving leads to faster growth . . ."

—N. Gregory Mankiw[2]

The two quotations above dramatically demonstrate the stark contrast between the "old" Keynesians and the "new." Samuelson and the old-style Keynesians start with the "general" theory of unemployment equilibrium and end with the classical model of full employment as a "special" case. As long as there are unemployed resources—which, according to the old Keynesians, is most of the time—thriftiness is bad and expansionary monetary and fiscal policy (i.e., inflation and deficit spending) are good. For 50 years, this "demand-management" model has been the standard approach in college economics.

The New Keynesian Revolution

Now along comes a new generation of economists, known as "new" Keynesians, who have wisely changed their way of thinking. In the most popular textbook on macroeconomics, author N. Gregory Mankiw reverses the standard Keynesian pedagogy. Mankiw, you may recall, is the young Harvard economist who was paid a $1.4 million advance last year to write the next "Samuelson" textbook. (See my column, *The Freeman*, October 1995.)

His mammoth advance was due, in part, to the success of his previous textbook on macroeconomics, last published in 1994. *Macroeconomics* may be a harbinger of what's to come. In a brilliant move, he begins with the classical model and ends with the Keynesian model, just the opposite of Samuelson & Company. Mankiw states in the preface, "in the aftermath of the Keynesian revolution, too many economists forgot that classical economics provides the right answers to many fundamental questions."

Under Mankiw's long-run "general equilibrium" model, what are the effects of an increase in government spending? Crowding out of private capital. "The increase in government purchases must be met by an equal decrease in investment. . . . Government borrowing reduces national saving" (p. 62).

Economic growth is discussed up front, not at the end, as most textbooks do. Using the Solow growth model, Mankiw takes a strong pro-saving approach. He maintains that "the saving rate is a key determinant of the steady-state capital stock. If the saving rate is high, the economy will have a large capital stock and a high level of out-

Dr. Skousen is an economist at Rollins College, Department of Economics, Winter Park, Florida 32789, and editor of Forecasts & Strategies, *one of the largest investment newsletters in the country. For more information about his newsletter and book,* Economics on Trial, *contact Phillips Publishing Inc. at (800) 777-5005.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

put. If the saving rate is low, the economy will have a small capital stock and a low level of output" (p. 86). What is the effect of higher savings? It's positive. "An increase in the rate of saving raises growth until the economy reaches the new steady state," although the law of diminishing returns suggests that "it will not maintain a high rate of growth forever" (p. 86). Mankiw writes favorably toward those nations with high rates of saving and capital investment, and even includes a case study on the miracles of Japanese and German growth (examples virtually ignored in Samuelson's textbook). He supports efforts to increase the rate of saving and capital formation in the United States, including the possibility of altering Social Security from a pay-as-you-go system to a fully funded plan, though he does not discuss outright privatization (pp. 103–4).

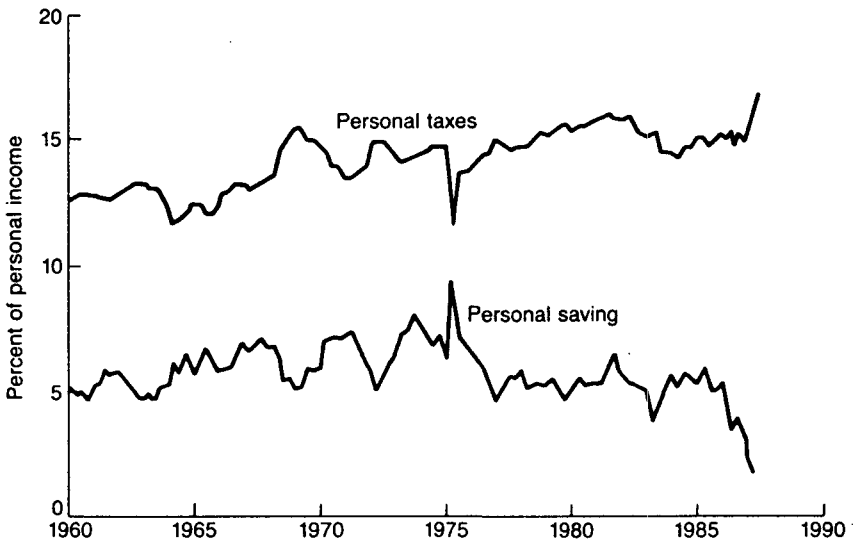
The cause of unemployment? Relying on the "natural" rate of unemployment hypothesis, Mankiw suggests that unemployment insurance and similar labor legislation reduce incentives for the unemployed to find jobs (pp. 121–5). He provides evidence that unionizing labor and adopting minimum-wage laws increases the unemployment rate (pp. 127–30). He offers a case study on Henry Ford's famous $5 workday as an example of wages determined by productivity.

He approvingly quotes Milton Friedman on monetary theory: "Inflation is always and everywhere a monetary phenomenon." Mankiw uses numerous examples, including hyperinflation in Interwar Germany, to confirm the social costs of inflation (pp. 161–9).

Sins of Omission

Not all is right with Mankiw, however. In Mankiw's model, tax cuts have the same effect as deficit spending—by raising consumption, it "crowds out investment and raises the interest rate," he says (p. 64). However, he fails to realize that tax cuts also stimulate savings, as the graph (below)

FIGURE 13–5
Inverse Relationship between Taxes and Savings



Source: Edwin G. Dolan and David E. Lindsey, *Economics* (The Dryden Press, 1988, Perspective 11.1)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

from Dolan and Lindsey clearly demonstrates. Not all tax cuts will be spent on consumer goods.

Further more, Mankiw apparently assumes that government spending remains the same when tax cuts are put into effect, thus raising the deficit. He repeats the common historical error that the Reagan tax cuts enlarged the deficit, and thereby raised interest rates and lowered national savings. (p. 65) In fact, while marginal tax rates declined, tax revenues rose during every year of the Reagan presidency. Tax cuts didn't cause expanding deficits, excessive federal spending did.

The second half of Mankiw's textbook introduces all the standard tools of Keynesian modeling—aggregate supply (AS) and aggregate demand (AD), the multiplier and accelerator, and IS-LM model. The author presents real business cycle theory, wage rigidity, money neutrality and the Ricardian Equivalence Theorem, all in a bewildering effort to explain economic fluctuations "in the short run." Although he includes a section on Robert Lucas, Jr., and the Rational Expectations School, he has virtually nothing to say about the supply-siders and the Austrians, a major omission. These two schools could have cleared up a lot of confusion about macroeconomic theory and policy.

Still, free-market economists should celebrate in knowing that the profession is slowly moving in the right direction— toward fundamentally sound economics.

That's quite a feat for a man (Mankiw) who named his dog "Keynes." □

1. Paul A. Samuelson and William D. Nordhaus, *Economics*, 15th ed. (New York: McGraw Hill, 1995), p. 357. Similar anti-saving statements have existed in all previous editions of Samuelson's *Economics*.

2. N. Gregory Mankiw, *Macroeconomics*, 2nd ed. (Worth Publishers, 1994), p. 86.

THE *UN*REPORTED NEWS™

PRESS RELIEF!

"Liberal bias" doesn't even begin to describe what's being presented to America as "news." You need some press relief! It's called *The UnReported News*. Get the news straight – uncensored, unvarnished, uncompromised and without apology. Guaranteed.

1-800-762-TURN

Send $29.95 for 24 issues to:
TURN
Box 22036
Lansing, MI
48909
or fax to (517) 351-2907

Name:
Address:
City: State: Zip:
Visa/MC#
Exp.: Signature:

Endorsed by syndicated columnist Joe Sobran

(c) 1996, Mangopoulos Media Group, Inc.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS

Restoring Hope in America: The Social Security Solution

by Sam Beard

Institute for Contemporary Studies • 1996 • 220 pages • $14.95 paperback

Let's Get Rid of Social Security: How Americans Can Take Charge of Their Own Future

by E. J. Myers

Prometheus Books • 1996 • 273 pages • $25.95

Reviewed by John Attarian

Most Americans now realize that when the huge Baby Boom generation retires, supported by a slower-growing Baby Bust taxpaying workforce, Social Security will go broke. Proposals are emerging to avert disaster, with most, like those here reviewed, entailing some privatization.

National Development Council chairman Sam Beard proposes to create "100 million millionaires" through "the magic of compound interest." He would retain Social Security's mandatory tax-based character, but bifurcate the payroll tax. "Tier 1" would contain "most of your Social Security taxes," and pay benefits to current retirees. "Tier 2" would be set aside in personal investment and retirement accounts. Americans earning $10,000 or more will pay $1,240 per year into Social Security—and can become millionaires. Investing $30 weekly from payroll taxes, at 8 percent compound interest, will in 45 years amass $1,291,433 for retirement. Problem solved.

Or is it? Beard's plan is flawed at the core by double-counting these taxes. Putting $30 weekly into Tier 2 comes to $1,560—*all* the taxes on $12,580. Indeed, Beard repeatedly writes as if all taxes would go into Tier 2. But to pay current retirees present-law benefits, which Beard, kowtowing to the American Association of Retired Persons myth of Social Security as a "sacred contract," insists on doing, "most of your Social Security taxes" would indeed have to remain in Tier 1, and hence be unavailable for investment.

So much for payroll taxes and "the magic of compound interest" creating 100 million millionaires—who are only nominal anyway. Adjusted for inflation, the magician's rabbit turns mangy; $1,291,433 shrinks, Beard admits, to $229,935. Then, too, he wants mandatory participation through taxes, which he deems "exciting." Anybody excited about being coerced?

More positively, Beard furnishes handy descriptions of Chile's privatized retirement insurance and the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) plan, and makes a good case for turning defined-benefit pensions into immediately vested, portable, defined-contribution plans *à la* TIAA-CREF.

Texas businessman Edwin J. Myers has a similar plan. His chatty, digressive, and repetitive book narrates how Social Security metastasized from the modest supplemental pension that Franklin Roosevelt originally intended into a vast demographically doomed entitlement, which the elderly now look to for primary retirement income. He also explains how private defined-benefit pension plans developed; the widespread underfunding of pension plans; the reneging on pension promises following takeovers and buyouts; the Pension Benefit Guaranty Corporation; and federal and state government pension plans. While students of Social Security and pensions will learn little from Myers's exposition, its accessible level and informal style make it useful for ordinary Americans.

Drawing on the successful pension plan set up for county employees of Galveston, Texas, when they opted out of Social Security, Myers proposes Individual Security Retirement Accounts (ISRAs), financed with the worker's share of payroll taxes. Pooled into a huge mutual fund, these accounts would, through compound interest,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

generate huge (nominal-dollar) nest eggs yielding far better payouts than Social Security. All workers under 37 years old would participate. Workers aged 37–45 could either opt for an ISRA or stay in Social Security.

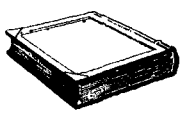
To finance current Social Security, Myers would use the employer's share of the payroll tax, plus the payroll taxes of workers aged 37–45 who choose to remain in Social Security. To balance outlays and revenues, Myers proposes either means testing current retirees' benefits or using the interest payments to the trust funds to pay benefits.

Unfortunately, Myers, like Beard, ignores the implications of his proposals. If ISRAs so greatly outperform Social Security, leaving Social Security will be 37–45-year-old workers' rational choice—which would create a huge revenue shortfall. This in turn would make payment of current retiree benefits problematic. He evidently assumes that these workers will be ignorant or fatuous enough to stay in a system offering them far worse returns than they could get elsewhere. Like Beard, he overpromises and leans on weak reeds.

He also shares Beard's inattentive boosterism. Shortly after proposing means testing whereby current retirees with retirement incomes of $60,000–$69,000 would lose 40 percent of benefits, and those making over $99,999 would lose 80 percent, Myers asserts that "no one, from the young to the elderly, will be penalized. . . . No one will lose a cent." How's that again?

These books helpfully highlight the need for Social Security reform (its abolition would be best), but their untenable promised "win-win" solutions are very dangerous. They appeal mightily to Americans' weakness for wishful thinking and painless solutions. Worth a look? Yes—but remember the saying, "If something sounds too good to be true, it probably is." □

Dr. Attarian is a free-lance writer in Ann Arbor, Michigan.



Founding Father: Rediscovering George Washington

by Richard Brookhiser

The Free Press • 1996 • 230 pages • $25.00

Reviewed by Clarence B. Carson

Near the close of this book, the author quotes John Marshall speaking to the House of Representatives shortly after Washington's death as saying: "Our WASHINGTON is no more! the hero . . . lives now only in his own great actions, and in the hearts of an affectionate and afflicted people." Richard Brookhiser is concerned that Washington no longer lives in our hearts and our affections. "He is in our textbooks and our wallets," Brookhiser writes, "but not our hearts." This book is an effort to correct that situation, not by "humanizing" him down to the Oprah level, say, but by drawing our conception up to the level of his remarkable achievements. In the main, he has done a good job of that.

This is not a full-fledged biography, but more nearly a series of essays on the general subject of George Washington. It focuses upon Washington's career, his character, and his place in the minds and hearts of Americans. Some of his emphases I especially liked and some I had not heard or thought of before. For example, his liking for the theater had never been brought out to me before, nor that he subscribed to ten newspapers. Washington was strong, courageous, brave, a good listener, a leader, had great dignity, was conscious of doing the honorable thing, and a patriot.

Many of the events of his life I had known before reading this book but it was good to read of them again, told, as they are, with zest and flair. For instance, Brookhiser gives the account of how insistent Washington was on secrecy at the Constitutional Convention. Someone had dropped a copy of some resolutions being considered where outsiders could have taken it. Washington retrieved the copy, lectured the Convention on the necessity for secrecy, then threw the paper down on the table, and invited who-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ever owned it to take it. The delegate was apparently so in awe of Washington that he never dared to claim it.

It is good to emphasize, too, as Brookhiser does, that Washington was a man of ideas as well as of action. I remember how impressed I was when I noticed Washington's library. He had nearly a thousand volumes—not in Jefferson's league, but then whose was? Not only was he familiar with the well-traveled ideas of his time, he was given to asking those about him for their opinions and understanding, such as the need to restrain government lest it trample individual rights. He listened and learned much. There was a balance to his ideas that set him apart from most thinkers.

The weakest section of the book is the one dealing with "The Founding Father." That Washington was *father* of his country is a metaphor which captures some of the truth and much of my feelings about the matter. He did indeed tenaciously lead the country through the war which effected our separation from Britain and independence of her. He chaired the Constitutional Convention that produced the document on which our union stands. And he piloted us safely through the perilous and tenuous early years of the Republic. But the metaphor will not bear close and extensive analysis; it falls from so much weight.

But the whole is a worthy testament to the greatness of Washington. Anyone who is inclined with so many in this misbegotten age to believe that Washington is just a dead white male who kept slaves should read of his principled refusal to sell any of his slaves "down the river," and the provisions he made for freeing those who were able to earn their own keep, and providing a fund to take care of those too old or infirm to provide for themselves. He was a man of his time, as all of us tend to be even in ways of which we are not aware, but he was much better than many of his contemporaries. □

Dr. Carson, a contributing editor of The Freeman, *has written and taught extensively, specializing in American intellectual history.* America in Gridlock, 1985–1995, *the sixth volume in his* Basic History of the United States, *will be published later this year.*

The Flat Tax: Freedom, Fairness, Jobs, and Growth

by Daniel Mitchell

Regnery Publishing, Inc. • 1996 • 62 pages • $3.95 paperback

Reviewed by William H. Peterson

Mounting taxes push the Tax Foundation's "Tax Freedom Day" out to May 6, a day when presumably John Q. Taxpayer stops working for government—federal, state, and local—and at last starts working for himself. But fiscal expert Grover Norquist and his Washington-based Americans for Tax Reform figure the truer Cost of Government Day occurs on July 3 by taking into account hidden taxes via deficit spending and regulatory burdens. Thus the estimated total cost of government in 1995 came to almost $3.3 trillion, including $720 billion in federal regulatory costs. This means working Americans have to toil 52 percent of the year for government.

If this strikes you as a sign of trouble on the tax front, you're right.

Beyond the flat taxers are those who would bravely dump the income tax for a national sales tax. These advocates see solid advantages; no withholding deductions; no more tedious bookkeeping, including filing away receipts and canceled checks; no more IRS audits, penalties, interest charges, levies, liens, threats, and seizures; no more deadly April 15 and quarterly tax deadlines; no more hits on savings and investment—on capital formation, the very sinew of economic growth and job creation. And, hear this, no IRS, period.

In his hard-hitting brief for a flat tax, Heritage Foundation analyst Daniel Mitchell takes note that 12,609 special interests are officially registered to lobby in Washington. Assume three support persons behind each lobbyist, and you have an army of 50,000 pulling strings and making deals—

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

many seeking special loopholes in the 14,000-page U.S. Internal Tax Code and rulings. So understandably members of the tax-writing House Ways and Means Committee get big PAC contributions, and Ways and Means and Senate Finance memberships are seen as plum assignments.

Dan Mitchell sees the flat tax as a way to end such "soft" political corruption and favoritism—simply cut out myriad tax deductions, preferences, loopholes, credits, and exemptions altogether.

That proposed cut takes guts and a lot of flak. Take the scare tactic used against the flat tax because it would eliminate deductions on home mortgages, supposedly forcing middle-income taxes up and house prices down. But this is *static* analysis, argues Mr. Mitchell. He holds the flat tax wipe-out of capital gains taxes, death taxes, and double taxation of corporate income will spur economic growth, cut interest rates, and boost housing prices by some 50 percent in five years after passage of a flat tax.

Another scare tactic is the alleged hit of flat-tax nondeductibility on contributions to churches, charities, universities, and think-tanks (such as FEE), cutting off their lifeline. Mitchell rebuts again with economic growth, noting that when people make more they give more. His chart shows how closely individual giving and personal income track each other over the years. Says Jack Kemp in the preface: "Only a pro-growth tax code can restore America's confidence at home and her greatness abroad."

Fine words to be sure but the catch here in this otherwise sharp Mitchell minibook is the paucity of argument for privatization, disentitilization, and deregulation of the economy—for greatly chopping down the size of the federal behemoth. Taxes are a drag on growth but the killer is the huge bite—around 42 percent—that government takes out of national income, let alone out of our civil liberties. □

Dr. Peterson, an adjunct scholar for the Heritage Foundation, is Distinguished Lundy Professor Emeritus of Business Philosophy at Campbell University in North Carolina.

The Anatomy of an International Monetary Regime: The Classical Gold Standard 1880–1914

by Giulio M. Gallarotti

Oxford University Press • 1995 • 347 pages • $49.95

Reviewed by Raymond J. Keating

Monetary policy today is guided by little more than government fiat—by the calculations, often mistaken economic theories, and whims of central bankers or, even worse, politicians. Under such a regime, inflation of three or four percent annually has come to be viewed as a stellar monetary performance. However, under a more sound monetary system—i.e., a gold standard—such increases in the general price level would be seen as wildly inflationary.

Over the years, the operations and impact of the gold standard have been subject to a variety of gross misconceptions and misrepresentations. With *The Anatomy of an International Monetary Regime: The Classical Gold Standard 1880–1914*, Giulio M. Gallarotti makes a valuable contribution to the understanding of the impact and operations of the gold standard.

Gallarotti debunks numerous myths. Among them, contrary to much of the prevailing literature on the classical gold standard, one government or central bank did not come to dominate international monetary relations during the classical gold era. Close monetary cooperation between national governments turned out to be the rare exception rather than the rule. In addition, contrary to the long-accepted gold model, the transfer of gold to clear international payments was actually a last resort.

The author shows the gold standard, in reality, to be diffuse and market driven. At the outset, Gallarotti observes: "Outcomes under the classical gold standard were principally conditioned by market processes throughout the period: i.e., outcomes were primarily the resultants of private transactions in the markets for goods and money. Unlike the international monetary regimes

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that would follow World War I, very little in the prewar regime was conditioned by the actions of public authorities at the international level."

Indeed, international stability was not a result of intense cooperation among national governments or central banks. Gallarotti painstakingly documents the failure of each of the great international monetary conferences of the era that were held with the purpose of establishing formal cooperation among nations and central banks. Instead, as the author notes, "the various domestic regimes crystallized into a greater international monetary regime."

Gallarotti accurately identifies the intellectual roots of the gold standard as well: "At the very heart of the metallist orthodoxy lay a strong laissez-faire ethic, and this was embodied in the central injunctions calling for the preservation of the purchasing power of the national monetary unit through some rule dictating monetary creation. It was this metallist injunction, by which inflation was to be controlled, that gave preference for stable money a liberal character. The alternative to a metallist rule was a discretionary manipulation of the money supply. This made the purchasing power of money subject to the idiosyncrasies and whims of public authorities. . . . Metallist rules essentially effected a fundamental liberal objective: removing economic processes from central, public, discretionary manipulation."

Gallarotti concludes that the "success of the gold standard was ultimately and inextricably tied to the success of classical liberalism." Classical liberalism's case for freedom of movement (for individuals, factors of production, goods, and money), fiscal prudence, small government, and anti-inflation bias, all strongly buttressed the gold standard.

In the end, few economists objectively can find fault with the overall track record of the economy under the gold standard. The author summarizes the period as follows:

> Among that group of nations that eventually gravitated to gold standards in the latter third of the 19th century . . . , abnormal capital movements . . . , were uncommon, competitive manipulation of exchange rates was rare, international trade showed record growth rates, balance-of-payments problems were few, capital mobility was high (as was mobility of factors and people), few nations that ever adopted gold standards ever suspended convertibility (and of those that did, the most important returned), exchange rates stayed within their respective gold points (i.e., were extremely stable), there were few policy conflicts among nations, speculation was stabilizing . . . , adjustment was quick, liquidity was abundant, public and private confidence in the international monetary system remained high, nations experienced long-term price stability (i.e., predictability) at low levels of inflation, long-term trends in industrial production and income growth were favorable, and unemployment remained fairly low.

What else could one possibly want from a monetary regime?

The Anatomy of an International Monetary Regime occasionally falls into the type of slogging academic writing style that justifies the impression that economists cannot write well. However, it is worth the reader's time to mine through some of this coarse writing because the historical and economic gems eventually discovered truly shine.

Our friends in Europe particularly may find this book of interest as they continue struggling to form a European Monetary Union. Gallarotti cites Ludwig Bamberger, German monetary authority during the late nineteenth century who made the simple point that "a world monetary union would be superfluous if all countries based their currencies on gold."

Gallarotti's book should be read by anyone with an interest in how the gold standard worked in the past and could once again. Indeed, this reviewer sees only huge benefits being derived from a return to classical liberalism and the gold standard. □

Mr. Keating is chief economist with the Small Business Survival Foundation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Future of Capitalism

by Lester C. Thurow

William Morrow and Company, Inc. • 1996 • 336 pages • $25.00

Reviewed by Don Bellante

The late Austrian economist Ludwig Lachmann was fond of saying that the future is not knowable, but it is imaginable. In *The Future of Capitalism*, Lester Thurow has put his imagination to work. His method is to use an analogy to the shifting of the earth's tectonic plates in order to describe the frictions he sees as building up in the United States and the world.

The "shifting plates" are (1) the end of communism and the need to absorb its released labor; (2) technological shifts that make the location of markets, resources, and capital irrelevant to the location of production; (3) an aging population that will put enormous stress on the welfare state; (4) economic globalization, which renders governments impotent; and (5) the development of a "multipolar" world where the United States can no longer exert its will upon the post-communist world order because the rest of the world doesn't accept United States leadership, as it no longer needs U.S. protection.

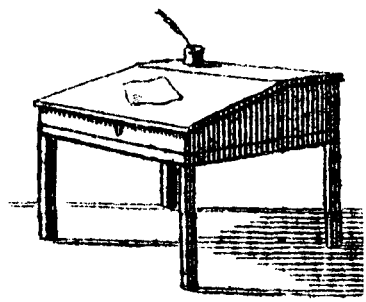
In the very first sentence of the book, Thurow admits that nothing but capitalism seems to work, in terms of providing goods, services, and (at least until now) increasing standards of living. Despite this grudging admission, the author still cannot accept individualism as a basis for organizing society. Chapter 13, Democracy Versus the Market, is where the book's usually sophisticated rhetoric gives way to all of the simpleminded anti-market clichés of the 1960s. There is the usual resentment of wealth and the attribution of capitalism's staying power only to the ameliorating effects of government interventions. Otherwise, contends Thurow, unbridled capitalism would generate ever-increasing inequalities that would collapse the system. As compared to the democratic state, capitalism is seen as biased toward consumption and against saving and investment, toward the short run and against the future.

Amazingly, the author seems really to believe that elected officials have a longer time horizon that makes up for the supposed shortsightedness of capitalists and consumers. And he seems oblivious to the fact that it is the redistributive and regulatory activities of the democratic welfare states of Western Europe that have prevented any job growth in the last 15 years, and that have relentlessly shifted the composition of output toward present consumption.

In this chapter and elsewhere the author adds more recent standard liberal concerns to the 1960s clichés. These include the myth that the standard of living of working Americans has been declining since 1973. In a chapter on religion and ethnicity, the author seems to connect terrorism with religious fundamentalists using a very broad brush. Readers will be surprised to find (p. 267) that a fundamentalist Christian group is given "credit" for blowing up the federal building in Oklahoma City.

In the final chapter, the author explicitly declines to make a list of policy recommendations. That's not what is important: to Lester Thurow, what is important is "persuading ourselves that the world has changed and that we must change with it." (p. 314) Because this volume thus leads nowhere in particular, it will disappoint even those readers who share the author's philosophical and diagnostic perspective on capitalism. □

Dr. Bellante is a professor of economics at the University of South Florida in Tampa.



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It's No Gamble: The Economic and Social Benefits of Stock Markets

by Lewis D. Johnson and Bohumir Pazderka

The Fraser Institute • 1995 • 173 pages • $19.95 paperback

Reviewed by Robert Batemarco

Theodore Roosevelt once quipped, "There is no moral difference between gambling at cards or in lotteries or on the race track and gambling in the stock market." John Maynard Keynes echoed this view: "When the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill-done."

Every time a new market innovation arises, a similar chorus of catcalls waits in the wings to greet it. Fortunately for all of us who benefit from the capitalist system, financial markets are not without their defenders. Lewis Johnson and Bohumir Pazderka, professors at Canada's Queens University School of Business, boldly take on the critics and deftly demolish most of their arguments. *It's No Gamble* successfully balances recent scholarship (including the authors' own) with a lively discussion that is accessible to those without formal training in finance and economics.

For starters, Johnson and Pazderka explain why a market economy without a stock market is like a ship without a rudder. They detail how the stock market pools funds, spreads risks, and gives owners some modicum of control over management. They also show how much maligned "derivative" securities such as options and futures strengthen the stock market by enhancing liquidity by permitting the management of risk.

Myths about the stock market sprout like weeds. Among the hardiest this work seeks to uproot is that the stock market is a zero-sum paper-shuffling game that breeds instability and infects managers with a dangerously short time horizon. Johnson and Pazderka draw from one of their own studies to make the point that the efforts of management to maximize the value of their company's stock does not force them to eschew long-term considerations. Unfortunately, the authors' data are not quite up to the task. They do, however, provide more persuasive evidence that potential future earnings do play their appropriate role in valuing share prices. They point out, for instance, that stock in companies with no *current* earnings will still sell for a positive price on the basis of their future prospects. The finding that high R&D spending does *not* render a firm more subject to hostile takeovers, as it would if market myopia systematically undervalued its shares, also helps to prove their point.

In their discussion of regulation, the authors rightly reject the notion that the government must step in to counteract stock markets' supposed inability to direct enough capital to "socially desirable investments." Their argument, couched largely in terms of cost-benefit analysis, would have benefited from some allusion to the violation of the property rights of shareholders involved in such schemes, not to mention questioning the presumption that the government should decide what is "socially desirable."

It's No Gamble provides an enlightening discussion of the role stock markets have been playing in the efforts of the various Eastern European countries to privatize. In the following chapter, the authors furnish a clear-headed discussion of the ethical issues involved in such practices as hostile takeovers and insider trading, which takes into account both efficiency and property-rights considerations.

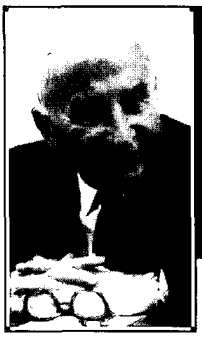
In the final analysis, Johnson and Pazderka succeed in shedding light on an area in which misunderstanding can have serious consequences. Some have said that financial markets are feared because they are misunderstood. To the extent they are correct, *It's No Gamble*, should pull the fear factor down a notch or two. □

Dr. Batemarco, book review editor of The Freeman, *is director of analytics at a marketing firm in New York City and teaches economics at Marymount College in Tarrytown, New York.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"...ought to be on the bookshelf of every thinking man."
—Wall Street Journal

"Its majestic sweep embraces almost the whole field of economics and touches at some point or other, on almost every social issue of our time."
—L. M. LACHMANN, Economica



HUMAN ACTION
A Treatise on Economics

by Ludwig von Mises

Fourth revised edition, with a new introduction by Bettina Bien Greaves

In this seminal work, one of the most brilliant thinkers of our time examines the basic principles that underlie the entire scope of human action. Revolutionary when it first appeared, controversial to this day, ***Human Action*** represents the culmination of Ludwig von Mises' lifelong quest to present economic theory as a true science. Considered by many to be the counterweight of Marx's *Das Kapital*, ***Human Action*** is the magnum opus of a genius.

Ludwig von Mises (1881–1973) was the most celebrated advocate of capitalism and critic of socialism of his time. He was the acknowledged dean of the "Austrian" school of economics and the teacher of F. A. Hayek and many other influential economists and social scientists. Mises is now universally acknowledged as one of the fountainheads of the worldwide movement toward individual liberty.

Published by **The Foundation for Economic Education, Inc.**
Irvington-on-Hudson, NY 10533
ISBN 1-57246-021-0 **Hardcover $49.95**
Available in bookstores nationally, or call
(800) 452-3518 • Fax: (914) 591-8910

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"In order to enjoy the inestimable benefits that the liberty of the press ensures, it is necessary to submit to the inevitable evils that it creates."

—ALEXIS DE TOCQUEVILLE
Democracy in America (1835)

THE FOUNDATION FOR
ECONOMIC EDUCATION, INC.
30 South Broadway
Irvington-on-Hudson, NY 10533

Address correction requested

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED